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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

Financial Statements for the Year Ended December 31, 2001 and Supplementary Information and Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon the Audit Performed In Accordance With Government Auditing Standards

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& Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
East Baton Rouge Mortgage Finance Authority

We have audited the accompanying individual program and unrestricted fund balance sheets of the East Baton Rouge Mortgage Finance Authority (the Authority) as of December 31, 2001, and the related individual statements of revenues, expenses and changes in fund balances (deficits) 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*. 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, such financial statements present fairly, in all material respects, the financial position of each of the individual programs and the unrestricted fund of the Authority at December 31, 2001, and their revenues, expenses and changes in fund balances (deficits) and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2002 on our consideration of the Authority's compliance with laws and regulations and on internal control over financial reporting. 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.

Deloitte & Touche LLP

May 24, 2002

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 2001

ASSETS	1984 Program	1985 Program	1987 Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program
CASH AND CASH EQUIVALENTS	$ 137	$ 30	$ -	$ -	$ -	$ -	$ 9	$ 7	$ 28	$ 9	$ 31	$ 20	$ 66
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	-	944	-	-	-	-	1,223	1,342	520	1,796	831	2,484	2,026
U. S. GOVERNMENT SECURITIES	-	-	-	-	1,563	-	-	-	-	-	-	-	-
MORTGAGE-BACKED SECURITIES - Net	-	-	1,184	-	-	-	7,668	7,115	-	12,050	2,949	12,159	21,994
MORTGAGE LOANS RECEIVABLE - Net	1,392	1,716	-	-	-	-	-	-	1,831	-	2,703	-	-
ACCRUED INTEREST RECEIVABLE	18	36	8	-	-	-	61	65	26	74	41	97	142
DEFERRED FINANCING COSTS - Net of amortization	-	7	11	-	3	-	85	82	2	165	68	227	348
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	-	-	-	-	-	-	-	-	-	-	-	-	153
INTER-PROGRAM RECEIVABLE (PAYABLE)	-	-	-	-	-	-	(15)	(75)	(23)	(51)	(32)	(180)	(16)
PREPAID INSURANCE AND OTHER ASSETS	2	1	-	-	3	-	-	-	1	-	3	-	-
TOTAL ASSETS	$1,549	$2,734	$1,203	$ -	$1,569	$ -	$ 9,031	$8,536	$2,385	$14,043	$6,594	$14,807	$24,713
LIABILITIES AND FUND BALANCES (DEFICITS)													
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 11	$ 4	$ -	$ -	$ 17	$ -	$ 3	$ 2	$ 2	$ 6	$ 3	$ 54	$ 22
ACCRUED INTEREST PAYABLE	-	30	1	-	-	-	142	117	3	179	76	226	356
BONDS PAYABLE - Net	-	1,217	917	-	1,078	-	8,179	6,665	145	13,635	5,905	13,750	23,180
Total liabilities	11	1,251	918	-	1,095	-	8,324	6,784	150	13,820	5,984	14,030	23,558
FUND BALANCES (DEFICITS)	1,538	1,483	285	-	474	-	707	1,752	2,235	223	610	777	1,155
TOTAL LIABILITIES AND FUND BALANCES	$1,549	$2,734	$1,203	$ -	$1,569	$ -	$ 9,031	$8,536	$2,385	$14,043	$6,594	$14,807	$24,713

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED BALANCE SHEETS (IN THOUSANDS)
DECEMBER 31, 2001

												(Memorandum Only)	
ASSETS	1996 B Program	1997 (C1-C4) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 E Program	2000 CPN Program	2001 CPN Program	Unrestricted Fund	Combined 2001	Combined 2000
CASH AND CASH EQUIVALENTS	$ 18	$ 781	$ 18	$ 774	$ 273	$ 79	$ 517	$ 26	$ -	$ 3	$ 326	$ 3,152	$ 5,803
GUARANTEED INVESTMENT AGREEMENTS - At cost, which approximates market	1,314	2,996	1,706	1,374	1,932	1,184	1,731	10,266	-	-	-	33,669	62,756
U. S. GOVERNMENT SECURITIES	-	-	-	-	-	-	-	-	-	38,326	15,652	55,541	13,702
MORTGAGE-BACKED SECURITIES - Net	19,822	21,785	28,269	29,530	39,816	26,283	33,606	20,959	-	-	3,009	288,198	280,879
MORTGAGE LOANS RECEIVABLE - Net	-	7,262	-	-	-	-	-	-	-	-	-	14,204	18,823
ACCRUED INTEREST RECEIVABLE	123	242	177	168	217	156	245	231	-	49	203	2,379	2,779
DEFERRED FINANCING COSTS - Net of amortization	305	505	504	505	560	505	473	820	-		-	5,175	5,638
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	216	955	367	766	1,224	678	1,064	771	-	-	-	6,194	6,207
INTER-PROGRAM RECEIVABLE (PAYABLE)	(18)	(25)	(33)	(27)	(17)	(34)	(46)	(35)	-	-	628	1	-
PREPAID INSURANCE AND OTHER ASSETS	2	5	6	3	23	6	4	1	-	-	-	60	166
TOTAL ASSETS	$21,782	$34,506	$31,014	$33,093	$44,028	$28,857	$37,594	$33,039	$ -	$38,378	$19,818	$408,573	$396,753
LIABILITIES AND FUND BALANCES (DEFICITS)													
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 5	$ 240	$ 8	$ 109	$ 46	$ 35	$ 292	$ 117	$ -	$ -	$ 19	$ 995	$ 904
ACCRUED INTEREST PAYABLE	307	363	417	405	533	363	457	363	-	46	-	4,384	4,665
BONDS PAYABLE - Net	20,556	31,760	29,495	31,190	42,685	27,170	34,474	31,145	-	38,354	-	361,500	357,123
Total liabilities	20,868	32,363	29,920	31,704	43,264	27,568	35,223	31,625	-	38,400	19	366,879	362,692
FUND BALANCES (DEFICITS)	914	2,143	1,094	1,389	764	1,289	2,371	1,414	-	(22)	19,799	41,694	34,061
TOTAL LIABILITIES AND FUND BALANCES	$21,782	$34,506	$31,014	$33,093	$44,028	$28,857	$37,594	$33,039	$ -	$38,378	$19,818	$408,573	$396,753

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (DEFICITS) (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1984 Program	1985 Program	1987 Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program
REVENUES:													
Income earned on mortgage loans receivable / mortgage-backed securities	$ 152	$ 192	$ 113	$ -	$ -	$ -	$ 619	$ 582	$ 179	$ 748	$ 342	$ 1,012	$ 1,585
Income earned on other investments	26	1	-	11	100	8	76	77	49	71	37	100	94
Net increase (decrease) in the fair value of investments	-	-	40	-	(50)	-	137	183	-	386	100	221	393
Authority fee income	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	1	-	-	-	-	-	-	-	-	-	-	-
Total	178	194	153	11	50	8	832	842	228	1,205	479	1,333	2,072
EXPENSES:													
Interest	31	240	99	-	96	-	637	525	54	774	329	983	1,509
Amortization of deferred financing costs	1	2	7	-	-	-	22	22	12	36	15	54	58
Amortization of DAP & AAP	-	-	-	-	-	-	-	-	-	-	-	-	51
Authority fees	-	-	-	-	-	-	8	32	8	20	16	49	70
Servicing fees	5	6	-	-	-	-	-	-	8	-	10	-	-
Insurance costs	4	6	-	-	-	-	-	-	4	-	5	-	-
Administrative fees	5	5	-	-	-	-	9	8	7	14	6	14	35
Operating expenses	11	-	1	-	-	16	9	3	13	15	9	11	18
Expenses of other programs	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	57	259	107	-	96	16	685	590	106	859	390	1,111	1,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	121	(65)	46	11	(46)	(8)	147	252	122	346	89	222	331
TRANSFERS AMONG PROGRAMS	(199)	-	-	(1,595)	-	(1,110)	-	-	4	-	-	-	-
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	1,616	1,548	239	1,584	520	1,118	560	1,500	2,109	(123)	521	555	824
FUND BALANCES (DEFICITS), END OF YEAR	$ 1,538	$ 1,483	$ 285	$ -	$ 474	$ -	$ 707	$ 1,752	$ 2,235	$ 223	$ 610	$ 777	$ 1,155

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (DEFICITS) (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1996 B Program	1997 (C1-C4) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 E Program	2000 CPN Program	2001 CPN Program	Unrestricted Fund	(Memorandum Only) Combined 2001	Combined 2000
REVENUES:													
Income earned on mortgage loans receivable / mortgage-backed securities	$ 1,428	$ 2,584	$ 1,939	$ 1,942	$ 2,492	$ 1,722	$ 2,346	$ 365	$ -	$ -	$ 174	$ 19,816	$ 21,668
Income earned on other investments	87	212	80	106	109	79	472	1,563	373	220	945	4,896	5,369
Net increase (decrease) in the fair value of investments	389	371	1,259	585	805	430	620	(52)	-	-	262	6,079	10,309
Authority fee income	-	-	-	-	-	-	-	-	-	-	1,113	1,113	1,019
Gain (loss) on sale of investment	-	-	-	-	-	-	-	-	-	-	-	-	(134)
Other	-	2	-	-	-	-	-	-	-	-	12	15	11
Total	1,904	3,169	3,278	2,633	3,406	2,231	3,438	1,876	373	220	2,506	31,919	38,242
EXPENSES:													
Interest	1,313	1,560	1,720	1,699	2,207	1,482	2,236	1,713	354	242	-	19,803	21,644
Amortization of deferred financing costs	60	68	64	73	84	50	80	43	-	-	-	751	1,194
Amortization of DAP & AAP	54	191	73	128	204	97	133	86	-	-	-	1,017	656
Authority fees	78	102	126	113	71	141	217	64	-	-	-	1,115	1,019
Servicing fees	-	37	-	-	-	-	-	-	-	-	-	66	78
Insurance costs	-	9	-	-	-	-	-	-	-	-	-	28	54
Administrative fees	32	45	45	49	65	41	53	-	-	-	147	580	540
Operating expenses	20	66	14	24	26	12	303	51	49	-	275	946	532
Expenses of other programs	-	-	-	-	-	-	-	-	-		(20)	(20)	110
Total	1,557	2,078	2,042	2,086	2,657	1,823	3,022	1,957	403	242	402	24,286	25,827
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	347	1,091	1,236	547	749	408	416	(81)	(30)	(22)	2,104	7,633	12,415
TRANSFERS AMONG PROGRAMS	7	(426)	-	(7)	-	-	151	1,063	-	-	2,112	-	-
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	560	1,478	(142)	849	15	881	1,804	432	30	-	15,583	34,061	21,646
FUND BALANCES (DEFICITS), END OF YEAR	$ 914	$ 2,143	$ 1,094	$ 1,389	$ 764	$ 1,289	$ 2,371	$ 1,414	$ -	$ (22)	$ 19,799	$ 41,694	$ 34,061

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1984 Program	1985 Program	1987 Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program
OPERATING ACTIVITIES:													
Excess (deficiency) of revenues over expenses	$ 121	$ (65)	$ 46	$ 11	$ (46)	$ (8)	$ 147	$ 252	$ 122	$ 346	$ 89	$ 222	$ 331
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:													
Unrealized (gain) loss on securities	-	-	(40)	-	50	-	(137)	(183)	-	(386)	(101)	(220)	(393)
(Gain) loss on sale of securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred financing costs	1	2	7	-	-	-	22	22	12	36	15	54	58
Amortization of Downpayment and Authority Assistance Programs	-	-	-	-	-	-	-	-	-	-	-	-	51
Accretion of mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Income earned on other investments	(26)	(1)	-	(11)	(100)	(8)	(76)	(77)	(49)	(71)	(37)	(100)	(94)
Interest expense on bonds payable	31	240	99	-	96	-	637	525	54	774	329	983	1,509
Other, net	11	-	-	(7)	(120)	(12)	19	(104)	97	1	(16)	23	30
Principal collected on mortgage loans/ mortgage-backed securities	421	361	439	-	-	-	2,139	1,710	480	2,430	1,012	3,307	3,058
Purchase of mortgage loans/mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of downpayment and assistance programs	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of nonrefundable commitment fees	-	-	-	-	-	-	(20)	-	-	(4)	-	(28)	(36)
Receipt of nonrefundable commitment fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	559	537	551	(7)	(120)	(28)	2,731	2,145	716	3,126	1,291	4,241	4,514
INVESTING ACTIVITIES:													
Proceeds from maturity or sale of investments, net	304	-	-	-	20	-	-	-	173	-	-	-	-
Interest received on investments	62	-	3	18	100	13	80	84	63	81	66	112	106
Purchase of investments, net	-	(83)	-	-	-	-	(539)	(159)	-	(94)	(103)	(1,092)	(522)
Net cash provided by (used in) investing activities	366	(83)	3	18	120	13	(459)	(75)	236	(13)	(37)	(980)	(416)

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 E Program	2000 CPN Program	2001 CPN Program	Unrestricted Fund	(Memorandum Only) Combined 2001	Combined 2000
OPERATING ACTIVITIES:													
Excess (deficiency) of revenues over expenses	$ 347	$ 1,091	$ 1,236	$ 547	$ 749	$ 408	$ 416	$ (81)	$ (30)	$ (22)	$ 2,104	$ 8,333	$ 12,415
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:													
Unrealized (gain) loss on securities	(389)	(371)	(1,260)	(586)	(805)	(429)	(620)	52	-	-	(266)	(6,084)	(10,309)
(Gain) loss on sale of securities	-	-	-	-	-	-	-	-	-	-	-	-	134
Amortization of deferred financing costs	60	68	64	73	84	50	80	43	-	-	-	751	1,194
Amortization of Downpayment and Authority Assistance Programs	54	191	75	128	204	96	133	85	-	-	-	1,017	656
Accretion of mortgage loans	-	(700)	-	-	-	-	-	-	-	-	-	(700)	(596)
Income earned on other investments	(87)	(212)	(80)	(106)	(109)	(79)	(472)	(1,563)	(373)	(220)	(945)	(4,896)	(5,369)
Interest expense on bonds payable	1,313	1,560	1,720	1,699	2,207	1,482	2,236	1,713	354	242	-	19,803	21,644
Other, net	59	38	(11)	45	98	(3)	314	(204)	10	34	(143)	159	(683)
Principal collected on mortgage loans/ mortgage-backed securities	2,522	3,801	2,433	3,080	3,119	516	-	-	-	-	-	30,828	52,794
Purchase of mortgage loans/mortgage-backed securities	-	-	-	-	-	-	(6,336)	(21,011)	-	-	(235)	(27,582)	(69,532)
Payment of downpayment and assistance programs	-	-	-	-	-	-	(151)	(853)	-	-	-	(1,004)	(1,427)
Amortization of nonrefundable commitment fees	(57)	-	(49)	(54)	(70)	-	-	(15)	-	-	-	(333)	(882)
Receipt of nonrefundable commitment fees	-	-	-	-	-	-	-	-	-	-	-	-	1,079
Net cash provided by (used in) operating activities	3,822	5,466	4,128	4,826	5,477	2,041	(4,400)	(21,834)	(39)	34	515	20,292	1,118
INVESTING ACTIVITIES:													
Proceeds from maturity or sale of investments, net	184	1,023	-	67	-	463	9,836	20,625	427	-	-	33,122	272,558
Interest received on investments	105	287	80	125	116	93	598	1,623	374	171	936	5,296	5,369
Purchase of investments, net	-	-	(489)	-	(507)	-	-	-	-	(38,326)	(3,706)	(45,620)	(259,981)
Net cash provided by (used in) investing activities	289	1,310	(409)	192	(391)	556	10,434	22,248	801	(38,155)	(2,770)	(7,202)	17,946

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1984 Program	1985 Program	1987 Program	1988 E&F Program	MRCMO Program	1990 Program	1992 A&B Program	1992 C Program	1992 D Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program
NON-CAPITAL FINANCING ACTIVITIES:													
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ 96	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Bond redemptions and principal repayments	(584)	(271)	(454)	-	-	-	(1,617)	(1,555)	(920)	(2,315)	(920)	(2,240)	(2,535)
Interest paid on bonds payable	(31)	(246)	(100)	-	(96)	-	(665)	(552)	(70)	(803)	(341)	(1,019)	(1,547)
Payment of deferred financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among programs	(199)	-	-	(1,595)	-	(1,110)	-	-	4	-	-	-	-
Net cash provided by (used in) non-capital financing activities	(814)	(517)	(554)	(1,595)	-	(1,110)	(2,282)	(2,107)	(986)	(3,118)	(1,261)	(3,259)	(4,082)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111	(63)	-	(1,584)	-	(1,125)	(10)	(37)	(34)	(5)	(7)	2	16
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26	93	-	1,584	-	1,125	19	44	62	14	38	18	50
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 137	$ 30	$ -	$ -	$ -	$ -	$ 9	$ 7	$ 28	$ 9	$ 31	$ 20	$ 66

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
YEAR ENDED DECEMBER 31, 2001

	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program	1999 A Program	2000 A&B Program	2000 E Program	2000 CPN Program	2001 CPN Program	Unrestricted Fund	(Memorandum Only) Combined 2001	Combined 2000
NON-CAPITAL FINANCING ACTIVITIES:													
Proceeds of bond issuance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25	$ -	$ 38,320	$ -	$ 38,441	$ 107,688
Bond redemptions and principal repayments	(2,785)	(4,664)	(2,000)	(3,255)	(2,740)	(1,130)	(3,688)	-	(425)	-	-	(34,098)	(100,037)
Interest paid on bonds payable	(1,352)	(1,632)	(1,745)	(1,738)	(2,236)	(1,495)	(2,289)	(1,576)	(355)	(196)	-	(20,084)	(21,644)
Payment of deferred financing costs	-	-	-	-	-	-	-	-	-	-	-	-	(1,358)
Transfers among programs	7	(444)	-	(7)	(30)	-	151	1,063	-	-	2,160	-	-
Net cash provided by (used in) non-capital financing activities	(4,130)	(6,740)	(3,745)	(5,000)	(5,006)	(2,625)	(5,826)	(488)	(780)	38,124	2,160	(15,741)	(15,351)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19)	36	(26)	18	80	(28)	208	(74)	(18)	3	(95)	(2,651)	3,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37	745	44	756	193	107	309	100	18	-	421	5,803	2,090
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 18	$ 781	$ 18	$ 774	$ 273	$ 79	$ 517	$ 26	$ -	$ 3	$ 326	$ 3,152	$ 5,803

See notes to financial statements.

(Concluded)

1. ORGANIZATION

The East Baton Rouge Mortgage Finance Authority (the "Authority") was created through a Trust Indenture dated August 14, 1974, pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of East Baton Rouge Parish, Louisiana.

The Authority's operations consist primarily of single family mortgage purchase bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. Under the 1987, 1988 E&F, 1990, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B, 1995 B, 1996 B, 1997 C1-C3, 1997D 1998B and 1998 D, 1999A, and 2000 A&B and 2000 C, D & E Programs, these loans are pooled and sold to the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) in exchange for mortgage-backed securities on which GNMA or FNMA guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term convertible program notes, which are securitized by government agency securities during the interim in preparation of long-term issues. The funds for the Authority's programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

1979 Bonds dated March 1, 1979	$ 100,000
1980 Program, dated September 1, 1980 (restructured)	125,000
1982 Program, dated October 1, 1982 (restructured)	30,000
1983 Program, dated April 14, 1983 (restructured)	30,000
1984 Program, dated September 18, 1984	30,000
1985 Program, dated May 7, 1985	26,000
1987 Program, dated July 1, 1987	15,450
1988 C&D Program, dated August 1, 1988	26,975
1988 E&F Program, dated June 22, 1989	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989	67,905
1990 Program, dated August 1, 1990	56,000
1992 A&B Program, dated April 1, 1992	25,000
1992 C Program, dated April 1, 1992	38,310
1992 D Program, dated April 1, 1992	8,975
1993 A&B Program, dated October 27, 1993	36,720
1993 C Program, dated October 27, 1993	15,270
1994 A&B Program, dated August 15, 1994	31,210
1994 C Program, dated December 29, 1994 (remarketed)	13,250
1995 A Program, dated February 23, 1995 (remarketed)	8,840
1995 B Program, dated October 5, 1995	12,500
1995 C Program, dated September 28, 1995 (remarketed)	5,820
1996 A Program, dated February 29, 1996 (remarketed)	9,765

1996 B Program, dated October 24, 1996	12,500
1996 C Program, dated September 27, 1996 (remarketed)	6,390
1997 B Program, dated March 27, 1997 (remarketed)	10,775
1997 C1-C3 Program, dated December 31, 1997	101,400
1997 D Program, dated June 1, 1997	18,600
1997 F Program, dated September 25, 1997 (remarketed)	5,135
1998 A Program, dated June 1, 1998	12,920
1998 B Program, dated June 1, 1998	23,595
1998 C Program, dated December 1, 1998	41,180
1998 D Program, dated December 1, 1998	6,000
1999 A Program, dated July 15, 1999	12,000
1999 B Program, dated July 15, 1999	16,485
2000 A Program, dated May 31, 2000	15,000
2000 B Program, dated May 31, 2000	42,200
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	6,294
2000 E Program, dated November 9, 2000	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	7,710

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. The 1984 and 1985 Program bonds are covered by comprehensive municipal bond insurance, which guarantees payment of all principal and interest when due.

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Financial Consulting Services, Inc. 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 each of its mortgage purchase bond programs. Under each of its single family mortgage purchase bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, an area bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds.

The Program Administrator is responsible for the development of each new bond issue and loan program. Once the bond issue is closed, the Program Administrator supervises the origination of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for purchase under each program, maintains computerized current records on all loans, and supervises the servicing and trustee functions for each program.

2. SUMMARY OF SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

Basis of Accounting and Reporting - The Authority follows the accrual basis of accounting. The funds established by the Bond Trust Indentures, 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.

Combined Totals - The combined financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Unrestricted 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.

GASB Statement No. 31 - The Governmental Accounting Standards Board ("GASB") issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB Statement (GASBS) No. 31 became effective for the Authority for periods beginning after June 15, 1997 and was adopted by the Authority effective January 1, 1998. The Statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in fund balances (deficits), and the amount is disclosed in the statements of cash flows as unrealized (gain) loss on securities. The Authority applies the provisions of the Statement to U.S. Government securities and mortgage-backed securities. Following is a summary of the unrealized gains (losses) as reflected in the accompanying financial statements (in thousands):

	Unrealized Gain (Loss)		
	Balance January 1, 2001	Change During the Year Ended December 31, 2001	Balance December 31, 2001
1987 Program	$ 40	$ 40	$ 80
MRCMO Program	467	(50)	417
1992 A&B Program	109	137	246
1992 C Program	236	183	419
1993 A&B Program	(1,154)	386	(768)
1993 C Program	(318)	101	(217)
1994 A&B Program	(102)	220	118
1995 B Program	(77)	393	316
1996 B Program	(259)	389	130
1997 C1-C4 Program	(409)	371	(38)
1997 D Program	(1,251)	1,260	9
1998 B Program	(1,344)	586	(758)
1998 D Program	(2,451)	805	(1,646)
1999 A Program	(581)	429	(152)
2000 A&B Program	(9)	620	611
2000 C, D, & E Program	-	(52)	(52)
Unrestricted	(77)	266	189
	$ (7,180)	$ 6,084	$ (1,096)

The sale of these investments by the Authority is subject to certain restrictions as described in the individual bond indentures.

Amortization - Bond issuance costs, including underwriters' discount on bonds sold, are being amortized ratably over the lives of the bonds based upon the principal amounts outstanding. The remaining unamortized balances of these costs are reflected on the accompanying balance sheets as "Deferred Financing Costs."

Commitment Fees and Loan Origination Costs - Nonrefundable commitment fees received subsequent to January 1, 1988 from originating financial institutions and certain direct loan origination costs are deferred and amortized over the lives of the related assets as a yield adjustment. Prior to 1988, such fees were recognized in current operations as received.

Use of 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.

Statement of Cash Flows - For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

3. CASH AND INVESTMENTS

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2001 were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the balance sheet, which represent interests in uninsured money market mutual funds. In prior years, the Unrestricted Fund held certificates of deposit at various financial institutions. No certificates of deposit were held at December 31, 2001.

Under certain of the Authority's programs, the Authority has entered into guaranteed investment agreements with various financial institutions. These agreements define the types of allowable investments and specify a guaranteed rate of return on such funds.

The approximate carrying values of the U.S. Government and Agency securities at December 31, 2001 are as follows (in thousands):

MRCMO Program	$ 1,563
Unrestricted Fund	15,652
2001 CPN Program	38,326
Combined	$ 55,541

The MRCMO Program's U.S. Government 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 Authority's name.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker, or by its trust department, but not in the Authority's name.

	Category			Carrying
	1	2	3	and Market
		(in thousands)		Amount
U. S. Government and Agency Securities	$ 55,541	$ -	$ -	$ 55,541
Guaranteed Investment Agreements	-	-	33,669	33,669
	$ 55,541	$ -	$ 33,669	$ 89,210

4. MORTGAGE LOANS RECEIVABLE AND MORTGAGE-BACKED SECURITIES

Mortgage Loans Receivable

Mortgage notes acquired by the Authority from participating mortgage lenders under the following bond programs have scheduled maturities of thirty years and are secured by first mortgages on the related real property. The mortgages have stated interest rates as follows:

1984 Program	10.95 %
1985 Program	9.98 %
1992 D Program	8.4 %
1993 C Program	7.125 %
1997 C1-C3 Program	8.5 %

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured under special hazard policies, and supplemental mortgage trust policies for mortgagor defaults. Premiums for these policies are paid through the applicable Program's funds.

The exchange of U.S. Government securities and mortgage loans between the 1979 Program and the MRCMO Program in January 1989 resulted in the transfer of the mortgage loans to the MRCMO Program at a discount. The approximate effective yield on the MRCMO Program's mortgage loans is 13.63%, and the remaining unamortized discount was approximately $1,970,000 at December 31, 2001. These loans and the unamortized discount were transferred at amortized cost to the 1997 C1-C3 Program on December 31, 1997.

All of the single family mortgage loans are originated by participating mortgage lenders through conventional, FHA or VA programs sponsored by the mortgage lenders and are sold to the Authority without recourse. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of the mortgage loans serviced.

Mortgage-backed Securities

As discussed in Note 1, the mortgage loans originated under certain Authority programs are pooled and sold to GNMA or FNMA in exchange for mortgage-backed securities on which GNMA or FNMA guarantees payment of principal and interest when due. These securities bear the following terms and interest rates:

	Term	Pass Through Interest Rate
1987 Program	23 Years	8.3 %
1992 A&B Program	30 Years	7.0 %
1992 C Program	30 Years	7.75 %
1993 A&B Program	30 Years	4.75% to 6.50 %
1993 C Program	30 Years	4.50 %
1994 A&B Program	30 Years	6.65% to 7.10%
1995 B Program	30 Years	6.35% to 7.00%
1996 B Program	30 Years	6.125% to 6.875%
1997 C1-C3 Program	30 Years	5.0% to 6.625%
1997 D Program	30 Years	5.875% to 6.625%
1998 B Program	30 Years	5.125% to 8.35%
1998 D Program	30 Years	4.25% to 6.125%
1999 A Program	30 Years	5.625% to 6.625%
2000 A&B Program	30 Years	6.375% to 7.85%
2000 C, D, & E Program	30 Years	5.625% to 7.25%

The change to the mortgage-backed securities type of program was prompted by various factors including the unavailability of mortgage pool and related insurance coverage required for conventional mortgage loan programs. The guarantees by FNMA and/or GNMA which the Authority receives under this type of program replaces the pool and related insurance coverage of the previous programs. Development of the new programs, origination of the mortgage loans and supervision of the servicing of the mortgage loans for compliance with federal mortgage bond tax laws by the Authority remain essentially the same.

As discussed in Note 2, nonrefundable commitment fees received from originating financial institutions and certain direct loan origination costs are amortized over the lives of the mortgage-backed securities owned by the 1992 A&B, 1993 A&B, 1994 A&B, 1995 B, 1996 B, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, and 2000 C, D & E Programs as a yield adjustment.

The net unamortized balances of the deferred net fees for such programs have been deducted from the balances of mortgage-backed securities in the accompanying balance sheets. The following is a summary of the balances of deferred net fees at December 31, 2001.

	Unamortized Deferred Net Fees
1992 A&B, 1992C and 1992D Programs	$ 28,000
1993 A&B and 1993C Programs	8,000
1994 A&B Program	40,000
1995 B Program	97,000
1996 B Program	116,000
1997 D Program	225,000
1998 B Program	193,000
1998 D Program	342,000
1999 A Program	254,000
2000 A&B Program	562,000
2000 E Program	496,000

5. BONDS PAYABLE

The net proceeds obtained from the bond issues are used to establish funds authorized by the Bond Trust Indentures to purchase eligible mortgage loans, secured by first mortgage liens on single family owner-occupied residences, or to purchase GNMA and/or FNMA mortgage-backed securities from qualified mortgage lenders accepted for participation in the programs by the Authority.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans and mortgage-backed securities acquired, all revenues and collections with respect to such loans and securities and all funds established by the Indenture, together with all of the proceeds generated therefrom.

Outstanding bonds payable consist of the following at December 31, 2001 (in thousands):

1985 Program: Term bonds due 2016, bearing interest at 10% payable semiannually	$ 1,820
Less unamortized bond discount	(603)
Total - 1985 Program	1,217
1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly	917
MRCMO Program: Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	(2,422)
Total - MRCMO Program	1,078
1992 A&B Program, due serially and term from 2002 through 2024, bearing interest at 6.35% to 7.1% payable semiannually	8,225
Less unamortized bond discount	(46)
Total - 1992 A&B Program	8,179
1992 C Program, term bonds due 2032, bearing interest at 7% payable semiannually	6,665
1992 D Program, term bonds due 2032, bearing interest at 7.1% payable semiannually	145
1993 A&B Program , due serially and term from 2002 through 2025, bearing interest at 4.45% to 5.5% payable semiannually	13,635
1993 C Program , due serially and term from 2002 through 2025, bearing interest at 4.55% to 5.5% payable semiannually	5,905
1994 A&B Program , term due serially and from 2003 through 2028, bearing interest at 5.45% to 6.8% payable semiannually	13,750
1995 B Program , due serially and term from 2002 through 2028, bearing interest at 4.7% to 6.35% payable semiannually	23,180

1996 B Program, due serially and term from 2002 through 2029, bearing interest at 4.75% to 6.2% payable semiannually	20,556
1997 C1-C4 Program:	
Capital appreciation bonds due term 2030 priced to yield 5.85% at maturity	33,045
Serial and term bonds due from 2002 through 2018, bearing interest at 4.75% to 6.75% payable semiannually	25,465
Less unamortized bond discount	(26,750)
Total - 1997 C1-C4 Program	31,760
1997 D Program, due serially and term from 2002 through 2030, bearing interest at 4.60% to 5.9% payable semiannually	29,495
1998 B Program, due serially and term from 2002 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	31,190
1998 D Program, due serially and term from 2002 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	42,685
1999 A Program, due serially and term from 2002 through 2033, bearing interest at 4.0% to 5.7% payable semiannually	27,170
2000A&B Program:	
Capital appreciation bonds due serially and term from 2013 to 2032 priced to yield 6.1% to 6.83% at maturity	22,821
Serial and term bonds due from 2002 through 2026, bearing interest at 4.9% to 6.38% payable semiannually	30,325
Less unamortized bond discount	(18,672)
Total - 2000A&B Program	34,474
2000 C, D & E Program:	
Capital appreciation bonds due serially and term from 2014 to 2034 priced to yield 5.8% to 6.5% at maturity	18,405
Serial and term bonds due from 2002 through 2027, bearing interest at 4.5% to 5.95% payable semiannually	27,750
Less unamortized bond discount	(15,010)
Total - 2000 C, D & E Program	31,145
2001 CPN Program (convertible program notes) due in 2002 bearing interest at a variable interest rate (1.7% at December 31, 2001) payable monthly	38,354
Total bonds payable	$361,500

The 1987 Program bonds are structured such that the monthly principal remittances received from the GNMA securities are passed on to bondholders as principal redemptions of bonds payable on a monthly basis.

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates. In connection with early bond redemptions, deferred financing costs related to the bonds called are charged to expense. Early bond redemptions and related deferred financing costs expensed during the year ended December 31, 2001 were as follows (in thousands):

	Early Bond Redemptions	Related Deferred Financing Costs Expensed
1984 Program	$ 611	$ 1
1985 Program	310	1
1987 Program	455	5
1992 A&B Program	1,435	15
1992 C Program	1,555	19
1992 D Program	920	12
1993 A&B Program	1,970	21
1993 C Program	780	9
1994 A&B Program	2,240	38
1995 B Program	2,195	33
1996 B Program	2,495	39
1997 C1-C4 Program	3,030	20
1997 D Program	1,540	30
1998 B Program	2,900	42
1998 D Program	2,100	43
1999 A Program	785	14
2000 A&B Program	4,910	44
2000 C, D & E Program	1,720	33
	$31,951	$419

Scheduled bond principal redemptions for each of the next five years, are as follows (in thousands):

	2002	2003	2004	2005	2006	Thereafter	Total
1985 Program	$ -	$ -	$ -	$ -	$ -	$ 1,820	$ 1,820
1987 Program	-	-	-	-	-	917	917
MRCMO Program	-	-	-	-	-	3,500	3,500
1992 A&B Program	160	160	160	160	-	7,585	8,225
1992 C Program	-	-	-	-	-	6,665	6,665
1992 D Program	-	-	-	-	-	145	145
1993 A&B Program	325	340	340	360	-	12,270	13,635
1993 C Program	130	140	145	145	-	5,345	5,905
1994 A&B Program	-	665	255	285	295	12,250	13,750
1995 B Program	325	320	360	380	415	21,380	23,180
1996 B Program	280	300	310	330	336	19,000	20,556
1997 C1-C3 Program	1,575	1,710	1,835	1,995	780	50,615	58,510
1997 D Program	465	400	415	445	473	27,297	29,495
1998 B Program	330	345	360	375	395	29,385	31,190
1998 D Program	645	645	710	750	785	39,150	42,685
1999 A Program	345	360	375	395	415	25,280	27,170
2000 A&B Program	575	625	670	720	775	49,781	53,146
2000 C, D & E Program	170	455	480	510	545	43,995	46,155
2001 CPN Program	38,354	-	-	-	-	-	38,354
	$ 43,679	$ 6,465	$ 6,415	$ 6,850	$ 5,214	$ 356,380	$ 425,003

The 2001 CPN Program bonds are expected to be refinanced on a long-term basis in 2002.

6. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended December 31, 2001, the following amounts were paid to the Authority's Board members:

Board Member	
Randy Bonnecaze	$ 5,600
Astrid Clements	6,800
Robert Gaston, III	7,000
William G. Gauthier	8,000
Henry Henegan	7,200
Sidney W. Longwell, Sr.	6,200
Jake L. Netterville	10,200
Loretta Pourciau	5,600
Lynda Rowley	3,600
Total	$ 60,200

These amounts are paid through the Unrestricted Fund and included in operating expenses in the accompanying statements of revenues, expenses and changes in fund balances.

7. AUTHORITY FEES

Beginning with the 1992 Programs, the Authority instituted an authority fee which is paid to the Unrestricted Fund by the individual programs. The Unrestricted Fund recognizes authority fee income related to the fees paid by the individual programs. The fee income received by the Unrestricted Fund is currently being used to provide the upfront funds required of the Authority's annual programs in order to finance such things as costs of issuance of bonds, subsidizing lower income mortgagor's with waivers of discount points and providing down payment assistance to mortgagors. The actual fees paid by each program varies in accordance with the provisions of the respective program's indenture agreement. Authority fee income recognized by the Unrestricted Fund, and Authority fee expense recognized by the individual programs are disclosed separately in the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balances (Deficits).

8. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS

During fiscal year 1996, the Authority began the Downpayment Assistance Program which provides funds to borrowers that meet certain criteria in order to assist borrowers with closing costs or down payments. The amount of funds is based on a percentage of the loan amount (generally 3% to 4%). The interest rate charged on these loans is greater than the interest rate on loans that do not utilize this program. Also during 1996, the Authority initiated the Authority Assistance Program which waives the discount points on loans made to households whose income is under $27,500.

Costs related to these programs are capitalized and are being amortized over the lives of the related assets as yield adjustments based upon the average lives of the underlying assets. The remaining unamortized balances are classified on the accompanying balance sheets in the same caption as the related assets. Following is a summary of the activity with respect to these programs during the year ended December 31, 2001 (in thousands):

	December 31, 2000	Paid In 2001	2001 Amortization	December 31, 2001
1995 B Program	$ 204	$ -	$ (51)	$ 153
1996 B Program	270	-	(54)	216
1997 C1-C4 Program	1,146	-	(191)	955
1997 D Program	440	-	(73)	367
1998 B Program	894	-	(128)	766
1998 D Program	1,428	-	(204)	1,224
1999 A Program	775	-	(97)	678
2000 A&B Program	1,046	151	(133)	1,064
2000 C, D & E Program	4	853	(86)	771
	$ 6,207	$ 1,004	$ (1,017)	$ 6,194

9. TRANSFERS AMONG PROGRAMS

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets, net of bond proceeds as discussed in Note 7, and (3) balances in the cost of issuance accounts.

* * * * * *

SUPPLEMENTARY INFORMATION

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS.*

To the Board of Trustees of the
East Baton Rouge Mortgage Finance Authority

We have audited the financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 2001, and have issued our report thereon dated May 24, 2002. We conducted our audit in accordance with generally accepted auditing standards 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 East Baton Rouge Mortgage Finance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP

May 24, 2002