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East Baton Rouge Mortgage Finance Authority

Financial Statements of Individual Programs and Unrestricted Fund for the Year Ended December 31, 2004 and Supplemental Information and Independent Auditors' Report

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying individual programs and unrestricted fund financial statements of the East Baton Rouge Mortgage Finance Authority (the "Authority") as of December 31, 2004, and for the year then ended, as listed in the accompanying table of contents. 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 unrestricted fund of the Authority at December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis of East Baton Rouge Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's financial statements, which begin on page 11.

The basic 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 each individual bond program are restricted by the bond resolution and indenture, which authorized each respective bond issue, 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 is provided for in the resolutions and indentures relating to each separate bond program. However, for purpose of this analysis, we will refer to the combined totals in order to assist the reader in understanding the overall financial condition of the Authority.

FINANCIAL HIGHLIGHTS

- During 2004, historically low mortgage rates continued, which again (as in 2003 and during the last half of 2002) caused a substantial amount of the Authority's mortgage loans to first time homebuyers to be prepaid. Conventional loan mortgage interest rates have now remained at the low 6% or below level for approximately the last 30 months.

  The yield on the 10 year treasury bond traded at historically low levels for all of 2003 and 2004. This trend of historically low yields continued into 2005. Economic indicators (yield curve) indicates that the yield on 10 year treasury securities has remained almost unchanged during the last three years. See the table below:

Date	Yield
January 3rd 2003	4.01%
December 31st 2003	4.24%
December 31st 2004	4.21%
June 14th 2005	4.09%

  As seen above, this is a very narrow trading range (i.e. – 23 basis points). This is causing conventional mortgage loan interest rates to remain at historically low levels for a considerably long period of time. Thirty (30) year conventional mortgage loan interest rates have historically been set at spreads ranging from +125 to 175 basis points to the yield on ten (10) year treasury bonds.

Since the Authority's mortgage lending programs are limited by federal tax law to first time homebuyers (except for mortgage loans made in certain targeted areas of East Baton Rouge Parish), even moderate movements down in conventional mortgage loan interest rates can often result in refinancings and as a result the pay-off of the Authority's mortgage loans.

Mortgage loan payments and prepayments reduced the Authority's mortgage related assets by a net $32.399 million in 2004 as compared with the net record of $66.687 million in 2003. Prepayments of mortgage loans whether from whole mortgage loans or the GNMA or FNMA mortgage backed securities ("MBS") (collateral for the Authority's bonds) are used to retire the Authority's bonds prior to their respective stated maturities. Fewer mortgage related assets result in lower mortgage related interest income and fewer bonds result in lower bond interest expense.

During 2004, the Authority added $22.152 million in MBS, which were purchased by the Authority in connection with the Authority's 2003A mortgage lending program.

- The Authority's assets exceeded its liabilities at the close of fiscal year 2004 by $53.344 million, which represents a $1.853 million decrease from 2003. The Authority had a net decrease in the fair value of its assets of $1.984 million in 2004 (this decrease is classified as an unrealized loss on the fair value of investments). Net of this unrealized loss, the Authority's assets exceeded its liabilities by $55.328 million in 2004 which represents a decrease of $3.409 million from the adjusted amount (net of the unrealized loss of $3.540 million in fair value of investments) of $58.737 million presented in 2003.

- The Authority's adjusted revenues of $16.049 million in 2004 (exclusive of the net decrease of $1.984 million in the fair value of investments), decreased by $4.943 million if compared to adjusted revenues of $20.992 (exclusive of the net decrease in the fair value of investments of $3.540 million) generated in 2003 due to the following factors:

    - A reduction in the amount of net mortgage related assets in 2004 by $32.399 million resulted in a decrease of income earned on mortgage loans receivable/mortgage backed securities. The Authority generated income earned on mortgage loans/MBS of $11.923 million in 2004 as compared with $16.095 million in 2003 – a decrease of $4.172 million.

    - A reduction in income earned on other investments from $4.164 million in 2003 to $3.609 million in 2004 – a decrease of $555,000.

    - A reduction in Authority fee income from $671,000 in 2003 to $510,000 in 2004 – a decrease of $161,000.

- Net income (as adjusted) was $131,000 in 2004 compared with $1.018 million in 2003 (excluding the effects of the net decreases in the fair value of investments for 2003 and 2004, which represented unrealized losses).

- Further adjusting for the non-cash expense item categories of:

    a) the amortization of deferred financing costs

    and

    b) the amortization of down payment assistance program costs and the Authority assistance program costs, the Authority realized adjusted net income (as further adjusted for the non-cash expense items of (a) and (b) above and for unrealized losses on the fair value of investments) of $2.112 million in 2004 as compared with net income (as adjusted) of $3.081 million for the comparable period of 2003.

- In May, 2002, the Authority applied for an issuer rating from Moody's Investor Services ("Moody's"). Moody's awarded the Authority an 'A3' issuer general obligation rating.

  Moody's affirmed the Authority's 'A3' issuer general obligation rating on October, 2003 and included certain operating and debt ratios in its rating report. These same operating ratios and debt ratios, based upon the financial results [as adjusted]) for the years ended December 31, 2002, 2003 and 2004, are presented below:

Moody's Rating Report Operating and Debt Ratios

	12/31/2002	12/31/2003	12/31/2004
Moody's Rating	A3	A3	A3
Profitability *	16.50%	14.68%	13.16%
General Fund/Unrestricted Fund Balance (millions)	$20.189	$25.895	$28.153
General Fund/Unrestricted Fund Balance (as a % of outstanding bonds including accrued interest)	5.46%	8.38%	10.16%
Combined Fund Balance (millions)	$35.334	$37.263	$38.338
Outstanding Long and Short Term Bonds (including accrued interest) (millions)	$369.856	$308.846	$277.000
Combined Fund Balance (as a % of outstanding bonds including accrued interest)	9.55%	12.07%	13.84%

(* defined as Net Operating Revenue as a % of Gross Operating Revenue)

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 sheets; the statements of revenues, expenses, and changes in net assets; and the statement of cash flows.

The balance sheets (pages 11 & 12) present 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.

The statements of revenues, expenses, and changes in net assets (pages 13 & 14) present information showing how the Authority's net assets changed as a result of the current year's 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.

The statement of cash flows (pages 15 - 18) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

Combined Statement of Net Assets
as of December 31, 2004 and 2003
(in thousands)

	2004	2003	Difference
Mortgage backed securities & mortgage loan receivable	$175,928	$208,327	$ (32,399)
Guaranteed investment contracts and investments	145,522	142,726	2,796
Other assets	9,890	13,891	(4,001)
Total assets	$331,340	$364,944	$ (33,604)
Other liabilities	$ 3,208	$ 3,703	$ (495)
Short-term debt outstanding	96,265	90,905	(5,360)
Long-term debt outstanding	178,523	215,139	(36,616)
Total liabilities	$277,996	$309,747	$ (31,751)
Net assets:			
Restricted	$ 25,252	$ 28,395	$ (3,143)
Unrestricted	28,092	26,802	1,290
Total net assets	$ 53,344	$ 55,197	$ (1,853)

FINANCIAL ANALYSIS OF THE AUTHORITY

Restricted net assets represent those net assets that are restricted and as a result are not available for general use due to the terms of the various bond trust indentures under which certain specified assets are held and pledged as security for the individual bonds of the Authority constituting its mortgage lending programs.

Conversely, unrestricted net assets are those assets for which there is not a specific limitation pledge of the unrestricted net assets to a specific bond issue of the Authority (with the exception of the Authority's Series 2002 A-3 bonds, as explained below).

In June, 2002, the Authority issued its Series 2002 A-3 Bonds in the original principal amount of $1.25 million (simultaneously with the Series 2002 A-1 and A-2 Bonds in the combined principal amount of $29.675 million) all of which remained outstanding on December 31, 2004. The Series 2002 A-3 Bonds are subordinate to the Series 2002 A-1 and A-2 Bonds. In addition, the Authority pledged its general obligation (including its unrestricted net assets) to the payment of principal and interest on the Series 2002 A-3 Bonds.

Net assets of the Authority decreased $1.853 million from $55.197 million on December 31, 2003 to $53.344 million on December 31, 2004. This decrease in net assets of $1.853 million as of December 31, 2003 compared to as of December 31, 2004 is entirely attributed to the net unrealized loss of $1.984 million due to the net decrease in the fair value of investments by the same amount. Without this unrealized loss in the fair value of its investments of $1.984 million for 2004, the Authority had an increase in its net assets of $131,000 for the year ended December 31, 2004.

Net Income/Loss (in thousands)

	2004	2003	Difference
Revenues	$ 14,065	$ 17,452	$ (3,387
Expenses	15,918	19,974	(4,056)
Net Income/Loss	$ (1,853)	$ (2,522)	$ 669

Revenues

The Authority's total revenues (exclusive of the net decrease in the fair value of investments) decreased from $20.992 million in 2003 to $16.049 million in 2004 – a decrease of $4.943 million.

Revenues from income earned on mortgage loans receivable/MBS decreased $4.172 million from $16.095 million in 2003 to $11.923 million in 2004 as a result of the shrinking asset base of the Authority's mortgage related assets.

In addition, 2004 revenues were reduced by a net decrease in the fair value of investments of $1.984 million; 2003 revenues were reduced by a net decrease in the fair value of investments of $3.540 million.

Both of these net decreases in the fair value of investments of $1.984 million in 2004 and $3.540 million in 2003 represented unrealized losses to the Authority of the same respective amounts in 2004 and 2003.

Expenses

Bond interest expense decreased by $3.678 million from $16 million in 2003 to $12.322 million in 2004 as a result of reduced interest expense due to the retirement of bonds prior to the respective stated maturity dates. These bonds were retired with funds received by the Authority as a result of mortgage loan payoffs as discussed above.

The total cost of all programs and services for 2004 of $15.918 million represented a decrease of $4.056 million from the $19.974 million in 2003.

Certain expenses for 2004 and 2003 represented the amortization of the non-cash items such as amortization of deferred financing costs and amortization of DAP and AAP costs, which totaled $1.981 million for 2004 and $2.063 million for 2003.

Revenues and Expenses

These decreases in total revenues and the total cost of all programs and services for 2004 as compared to 2003 were primarily a result of the following:

a) a decrease in income earned on mortgage loans and/or MBS of $4.172 million

b) a decrease in income earned on other investments of $555,000 from 2003 to 2004

c) a decrease in bond interest expense of $3.678 million.

Authority Debt

The Authority had $274.788 million in bonds and convertible program notes outstanding on December 31, 2004 as compared to $306.044 million at the end of 2003, as shown in the table below.

Outstanding Debt at Year-End
(in thousands)

	2004	2003	Difference
Mortgage Revenue Bonds	$ 178,523	$ 235,139	$ (56,616)
Convertible program notes	96,265	70,905	25,360
Total Outstanding Debt (as of December 31, 2004)	$ 274,788	$306,044	$(31,256)

The Authority's bond rating continues to carry the A3 rating for its Series 2002 A-3 Bonds (issuer general obligation bonds) and Aaa rating for the majority of its various mortgage revenue bond series.

Accounts and Accrued Interest Payable

The Authority had accounts payable and accrued interest payable of $3.208 million outstanding on December 31, 2004 compared with $3.703 million for the comparable 2003 period.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's appointed officials considered the following factors and indicators when setting the 2005 Budget. These factors and indicators include:

(1) The potential for the continuation of low conventional mortgage loan interest rates stimulating early mortgage loans payoffs (as a result of mortgage loan refinancings) continuing to shrink the Authority's asset base of whole loans and/or MBS, thereby reducing income earned on mortgage related assets and issuer fee income (since early mortgage related asset payoffs also result in a decrease of issuer fees). Partially offsetting the payoffs of existing mortgage related assets, the Authority should continue to add new MBS to its portfolio (the Authority added $23.276 million in 2004) in 2005 with an increase in new mortgage loan activity on its 2004 mortgage lending program which commenced in October, 2004.

(2) Apparently, it would not be advantageous for the Authority to utilize the Federal Home Loan Bank of Dallas warehousing credit arrangement as the Authority did on its 2002 mortgage lending program. Assuming the Authority does not utilize the Federal Home Loan Bank of Dallas in 2005, interest earnings from this line of credit facility would not be available to offset a portion of interest expense on any bonds issued in 2005 during the acquisition period.

CONTACTING THE EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY MANAGEMENT

This Financial report is designed to provide East Baton Rouge citizens, as well as the Authority's customers and creditors with a general overview of the East Baton Rouge 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:

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2004
(In thousands)

ASSETS	1985 Program	1987 Program	MRCMO Program	1992 A&B Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program
CASH AND CASH EQUIVALENTS	$ -	$ -	$ -	$ -	$ 43	$ 23	$ 3	$ 30	$ 64	$ 18	$ 452	$ 19	$ 66	$ 185
GUARANTEED INVESTMENT AGREEMENTS					420	1,338	680	943	1,140	1,706	2,840	1,980	1,678	2,565
U. S. GOVERNMENT AND AGENCY SECURITIES			2,231											
MORTGAGE-BACKED SECURITIES		310			2,626	7,476	2,066	4,304	7,904	7,477	8,131	10,486	15,159	22,249
MORTGAGE LOANS RECEIVABLE—Net							1,143				2,805			
ACCRUED INTEREST RECEIVABLE		2			22	48	24	39	70	62	88	71	97	134
DEFERRED FINANCING COSTS			2		14	86	28	63	105	107	266	167	227	280
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS										54	525	147	383	732
INTER-PROGRAM RECEIVABLE (PAYABLE)				(13)	(70)	(49)	(30)	(174)	(5)	(6)	(6)	(10)	(10)	(6)
PREPAID INSURANCE AND OTHER ASSETS			2				1			1	3	1	2	2
TOTAL ASSETS	$ -	$ 312	$ 2,235	$ (13)	$3,055	$8,922	$3,915	$5,205	$9,278	$9,419	$15,104	$12,861	$17,602	$26,141
LIABILITIES AND NET ASSETS														
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ -	$ -	$ -	$ -	$ 1	$ 5	$ 3	$ 1	$ 2	$ 2	$ 4	$ 1	$ 2	$ 3
ACCRUED INTEREST PAYABLE					22	105	40	72	126	125	63	163	202	302
BONDS AND LINES OF CREDIT PAYABLE—Net		47	1,414		1,285	7,900	3,055	4,300	8,105	8,306	11,812	11,335	15,100	23,230
Total liabilities	-	47	1,414	-	1,308	8,010	3,098	4,373	8,233	8,433	11,879	11,499	15,304	23,535
NET ASSETS:														
Restricted		265	821		1,747	912	817	832	1,045	986	3,225	1,362	2,298	2,606
Unrestricted				(13)										
Total net assets	-	265	821	(13)	1,747	912	817	832	1,045	986	3,225	1,362	2,298	2,606
TOTAL LIABILITIES AND NET ASSETS	$ -	$ 312	$ 2,235	$ (13)	$3,055	$8,922	$3,915	$5,205	$9,278	$9,419	$15,104	$12,861	$17,602	$26,141

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EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS
DECEMBER 31, 2004
(In thousands)

ASSETS	1999 A Program	2000 A&B Program	2000 CD&E Program	2002 A Program	2002 CPN Program	2002B Escrow Fund	2003A Program	2004 Program	2004 CPN Program	2004B Escrow Program	Federal Home Loan Bank Account	Unrestricted Fund	Combined
CASH AND CASH EQUIVALENTS	$ 56	$ 596	$ 83	$ 13	$ 30	$ 28	$ -	$ -	$ -	$ -	$ -	$ 2,099	$ 3,808
GUARANTEED INVESTMENT AGREEMENTS	1,312	3,054	2,119	3,289		13,306	346		7,809	20,000			66,525
U. S. GOVERNMENT AND AGENCY SECURITIES					55,150							17,808	75,189
MORTGAGE-BACKED SECURITIES	10,549	9,060	13,346	21,324			22,152					5,197	169,816
MORTGAGE LOANS RECEIVABLE—Net												2,164	6,112
ACCRUED INTEREST RECEIVABLE	72	95	96	145	116				15	4		286	1,486
DEFERRED FINANCING COSTS	184	215	478	504			327	290				2	3,345
DOWNPAYMENT AND AUTHORITY ASSISTANCE PROGRAMS	388	663	672	551			724						4,839
INTER-PROGRAM RECEIVABLE (PAYABLE)	(10)	(8)	(16)	(7)			(21)					441	
PREPAID INSURANCE AND OTHER ASSETS	1	1	1	2								203	220
TOTAL ASSETS	$ 12,552	$ 13,676	$ 16,779	$ 25,821	$ 55,296	$ 13,334	$ 23,528	$ 290	$ 7,824	$ 20,004	$ -	$ 28,200	$ 331,340
LIABILITIES AND NET ASSETS													
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 4	$ 456	$ 171	$ 3	$ -	$ -	$ 3	$ 240	$ -	$ -	$ -	$ 95	$ 996
ACCRUED INTEREST PAYABLE	150	136	159	274	29		225		15	4			2,212
BONDS AND LINES OF CREDIT PAYABLE—Net	10,695	11,232	14,575	24,192	55,150	13,306	21,940		7,809	20,000			274,788
Total liabilities	10,849	11,824	14,905	24,469	55,179	13,306	22,168	240	7,824	20,004		95	277,996
NET ASSETS:													
Restricted	1,703	1,852	1,874	1,352	117	28	1,360	50					25,252
Unrestricted												28,105	28,092
Total net assets	1,703	1,852	1,874	1,352	117	28	1,360	50				28,105	53,344
TOTAL LIABILITIES AND NET ASSETS	$ 12,552	$ 13,676	$ 16,779	$ 25,821	$ 55,296	$ 13,334	$ 23,528	$ 290	$ 7,824	$ 20,004	$ -	$ 28,200	$ 331,340

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1985 Program	1987 Program	MRCMO Program	1992 A&B Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program
REVENUES:														
Income earned on mortgage loans receivable / mortgage-backed securities	$ 94	$ 29	$ (27)	$ -	$ 223	$ 427	$ 196	$ 329	$ 590	$ 577	$ 1,220	$ 804	$ 1,004	$ 1,421
Income earned on other investments	36		187		31	59	29	77	112	89	183	109	90	143
Net increase (decrease) in the fair value of investments		(23)	27		(119)	47	28	(97)	(190)	(187)	(83)	(270)	(110)	(19)
Authority fee income														
Other														
Total	130	6	187		135	533	253	309	512	479	1,320	643	984	1,545
EXPENSES:														
Interest	440	11	116		135	466	170	351	634	585	834	797	936	1,383
Amortization of deferred financing costs		3			16	25	9	38	62	44	53	85	76	93
Amortization of DAP & AAP									51	54	175	73	128	183
Authority fees					12	9	6	16	22	31	31	51	45	35
Servicing fees	3						4				15			
Insurance costs	4						3				5			
Administrative fees	4				5	12	10	6	13	12	20	19	27	37
Operating expenses	3				1	12	8	7	11	12	25	13	17	17
Expenses of other programs														
Total	454	14	116		169	524	210	418	793	738	1,158	1,038	1,229	1,748
NET INCOME (LOSS)	(324)	(8)	71		(34)	9	43	(109)	(281)	(259)	162	(395)	(245)	(203)
TRANSFERS AMONG PROGRAMS	(1,200)			(141)							(54)			
NET ASSETS—Beginning of year	1,524	273	750	128	1,781	903	774	941	1,326	1,245	3,117	1,757	2,543	2,809
NET ASSETS—End of year	$ -	$ 265	$ 821	$ (13)	$ 1,747	$ 912	$ 817	$ 832	$ 1,045	$ 986	$ 3,225	$ 1,362	$ 2,298	$ 2,606

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1999 A Program	2000 A&B Program	2000 CD&E Program	2002A Program	2002 CPN Program	2002B Escrow Fund	2003A Program	2004 Program	2004 CPN Program	2004B Escrow Program	Federal Home Loan Bank Account	Unrestricted Fund	Combined
REVENUES:													
Income earned on mortgage loans receivable / mortgage-backed securities	$ 748	$ 858	$ 1,116	$ 1,395	$ -	$ -	$ 502	$ -	$ -	$ -	$ 13	$ 404	$ 11,923
Income earned on other investments	129	185	162	145	881		1		47	4		910	3,609
Net increase (decrease) in the fair value of investments	(217)	(411)	(318)	(236)			362					(168)	(1,984)
Authority fee income												510	510
Other						7							7
Total	660	632	960	1,304	881	7	865		47	4	13	1,656	14,065
EXPENSES:													
Interest	741	940	1,067	1,289	793		583		47	4			12,322
Amortization of deferred financing costs	107	73	127	101			11						923
Amortization of DAP & AAP	97	133	96	68									1,058
Authority fees	51	52	78	32			39						510
Servicing fees												5	27
Insurance costs													12
Administrative fees	18	19	23	36			9	1				228	499
Operating expenses	11	25	29	16			2	6				341	556
Expenses of other programs												11	11
Total	1,025	1,242	1,420	1,542	793		644	7	47	4		585	15,918
NET INCOME (LOSS)	(365)	(610)	(460)	(238)	88	7	221	(7)			13	1,071	(1,853)
TRANSFERS AMONG PROGRAMS							991	57			(1,144)	1,491	-
NET ASSETS—Beginning of year	2,068	2,462	2,334	1,590	29	21	148				1,131	25,543	55,197
NET ASSETS—End of year	$ 1,703	$ 1,852	$ 1,874	$ 1,352	$ 117	$ 28	$ 1,360	$ 50	$ -	$ -	$ -	$ 28,105	$ 53,344

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1985 Program	1987 Program	MRCMO Program	1992 A&B Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program
CASH FLOWS FROM OPERATING ACTIVITIES:														
Cash received:														
Investments, mortgage loans and mortgage-backed securities income	$ 123	$ 31	$ -	$ -	$ 233	$ 437	$ 199	$ 350	$ 606	$ 592	$ 1,253	$ 843	$ 1,024	$ 1,458
Collection of mortgage loans and mortgaged-backed securities	1,004	194			1,047	1,879	612	1,345	3,221	3,190	4,177	5,008	4,541	6,260
Cash paid:														
Purchase of mortgage loans and mortgaged-backed securities														
Downpayment and Authority assistance programs														
Other items	(10)	(1)		(1)	(20)	(35)	(32)	(31)	(50)	(58)	(44)	(88)	(93)	(94)
Net cash provided by (used in) operating activities	1,117	224		(1)	1,260	2,281	779	1,664	3,777	3,724	5,386	5,763	5,472	7,624
CASH FLOWS FROM INVESTING ACTIVITIES:														
Investment purchases—net	894		(187)		176	77	40	1,015	997	(276)	998	(22)	(264)	534
Income on other investments	36		187		31	59	29	77	112	89	183	109	90	143
Net cash provided by (used in) investing activities	930				207	136	69	1,092	1,109	(187)	1,181	87	(174)	677
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:														
Bond financing costs														
Proceeds from bond issues														
Retirement of notes and bonds payable	(411)	(212)			(1,310)	(1,910)	(670)	(2,340)	(4,180)	(2,899)	(5,593)	(4,970)	(4,305)	(6,680)
Interest paid	(454)	(12)			(158)	(490)	(177)	(389)	(698)	(628)	(922)	(868)	(995)	(1,469)
Interfund activities	(1,200)			(141)							(54)			
Net cash provided by (used in) noncapital financing activities	(2,065)	(224)		(141)	(1,468)	(2,400)	(847)	(2,729)	(4,878)	(3,527)	(6,569)	(5,838)	(5,300)	(8,149)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18)			(142)	(1)	17	1	27	8	10	(2)	12	(2)	152
CASH AND CASH EQUIVALENTS— Beginning of year	18			142	44	6	2	3	56	8	454	7	68	33
CASH AND CASH EQUIVALENTS— End of year	$ -	$ -	$ -	$ -	$ 43	$ 23	$ 3	$ 30	$ 64	$ 18	$ 452	$ 19	$ 66	$ 185

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1999 A Program	2000 A&B Program	2000 CD&E Program	2002A Program	2002 CPN Program	2002B Escrow Fund	2003A Program	2004 Program	2004 CPN Program	2004B Escrow Program	Federal Home Loan Bank Account	Unrestricted Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:													
Cash received:													
Investments, mortgage loans and mortgage-backed securities income	$ 790	$ 900	$ 1,168	$ 1,424	$ -	$ -	$ 502	$ -	$ -	$ -	$ 13	$ 375	12,321
Collection of mortgage loans and mortgaged-backed securities	4,176	5,849	5,528	5,040			362				99	300	53,832
Cash paid:													
Purchase of mortgage loans and mortgaged-backed securities							(22,152)					(1,124)	(23,276)
Downpayment and Authority assistance programs							(606)						(606)
Other items	(108)	(98)	177	(85)		7	(238)	233				(195)	(864)
Net cash provided by (used in) operating activities	4,858	6,651	6,873	6,379		7	(22,132)	233			112	(644)	41,407
CASH FLOWS FROM INVESTING ACTIVITIES:													
Investment purchases—net	1,347	152	1,314	(327)	15,755	6,694	(300)		(7,809)	(20,000)		204	1,012
Income on other investments	129	185	162	145	840		1		32			910	3,549
Net cash provided by (used in) investing activities	1,476	337	1,476	(182)	16,595	6,694	(299)		(7,777)	(20,000)		1,114	4,561
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:													
Bond financing costs							(142)	(290)					(432)
Proceeds from bond issues							21,940		7,809	20,000			49,749
Retirement of notes and bonds payable	(5,515)	(5,980)	(6.838)	(4,859)	(15,755)	(6,694)							(81,121)
Interest paid	(819)	(1,000)	(1,447)	(1,341)	(839)		(358)		(32)				(13,096)
Interfund activities							991	57			(1,144)	1,491	
Net cash provided by (used in) noncapital financing activities	(6,334)	(6,980)	(8,285)	(6,200)	(16,594)	(6,694)	22,431	(233)	7.777	20,000	(1,144)	1,491	(44,900)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		8	64	(3)	1	7					(1,032)	1,961	1.068
CASH AND CASH EQUIVALENTS—Beginning of year	56	588	19	16	29	21					1,032	138	2,740
CASH AND CASH EQUIVALENTS—End of year	$ 56	$ 596	$ 83	$ 13	$ 30	$ 28	$ -	$ -	$ -	$ -	$ -	$ 2,099	$ 3,808

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1985 Program	1987 Program	MRCMO Program	1992 A&B Program	1992 C Program	1993 A&B Program	1993 C Program	1994 A&B Program	1995 B Program	1996 B Program	1997 (C1-C3) Program	1997 D Program	1998 B Program	1998 D Program
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:														
Net(loss) income	$ (324)	$ (8)	$ 71	$ -	$ (34)	$ 9	$ 43	$ (109)	$ (281)	$ (259)	$ 162	$ (395)	$ (245)	$ (203)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:														
Unrealized (gain) loss on investments		23	(27)		119	(47)	(28)	97	190	187	83	270	110	19
Amortization of deferred financing costs		3			16	25	9	38	62	44	53	85	76	93
Amortization of downpayment and Authority assistance programs									51	54	175	73	128	183
Interest expense	440	11	116		135	466	170	351	634	585	834	797	936	1,383
Accretion of discount on loans											(350)			
Income on other investments	(36)		(187)		(31)	(59)	(29)	(77)	(112)	(89)	(183)	(109)	(90)	(143)
Changes in:														
Accrued interest receivable	29	2			10	10	3	21	16	15	33	39	20	37
Accounts payable and accrued liabilities				(1)		(1)	(1)	(1)	(2)			(1)	(1)	(1)
Purchases of mortgage-backed securities														
Collections of loans and mortgage-backed securities	1,004	194			1,047	1,879	612	1,345	3,221	3,190	4,527	5,008	4,541	6,260
Downpayment programs														
Other—net	4	(1)	27		(2)	(1)		(1)	(2)	(3)	52	(4)	(3)	(4)
Net cash provided by (used in) operating activities	$1,117	$224	$	$ (1)	$1,260	$2,281	$ 779	$1,664	$3,777	$3,724	$ 5,386	$5,763	$5,472	$7,624

(Continued)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(In thousands)

	1999 A Program	2000 A&B Program	2000 CD&E Program	2002A Program	2002 CPN Program	2002B Escrow Fund	2003A Program	2004 Program	2004 CPN Program	2004B Escrow Program	Federal Home Loan Bank Account	Unrestricted Fund	Combined
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:													
Net income (loss)	$ (365)	$ (610)	$ (460)	$ (238)	$ 88	$ 7	$ 221	$ (7)	$ -	$ -	$ 13	$ 1,071	$ (1,853)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:													
Unrealized (gain) loss on investments	217	411	318	236			(362)					168	$ 1,984
Amortization of deferred financing costs	107	73	127	101			11						923
Amortization of downpayment and Authority assistance programs	97	133	96	68									1,058
Interest expense	741	940	1.067	1,289	793		583		47	4			12,322
Accretion of discount on loans													(350)
Income on other investments	(129)	(185)	(162)	(145)	(881)		(1)		(47)	(4)		(910)	(3,609)
Changes in:													
Accrued interest receivable	42	42	52	29	(41)				(15)	(4)		(29)	311
Accounts payable and accrued liabilities	(23)	8	14	(1)			(158)	240				24	95
Purchases of mortgage-backed securities							(22,152)					(1,124)	(23,276)
Collections of loans and mortgage-backed securities	4,176	5,849	5,528	5,040			362				99	300	54,182
Downpayment programs							(606)						(606)
Other—net	(5)	(10)	293		41		(30)		15	4		(144)	226
Net cash provided by (used in) operating activities	$4,858	$6,651	$6,873	$6,379	$ -	$ 7	$(22,132)	$ 233	$ -	$ -	$ 112	$ (644)	$ 41,407

See notes to financial statements.

(Concluded)

EAST BATON ROUGE MORTGAGE FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004

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, 1992 A&B, 1992 C, 1993 A&B, 1993 C, 1994 A&B, 1995 B, 1996 B, 1997 C1-C3, 1997D, 1998B, 1998 D, 1999A, 2000 A&B, 2000 C,D&E, 2002 A and 2003 A 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)	10,755
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	42,208
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
2002 A Program, dated June 18, 2002	30,925
2003 A Program, dated September 16, 2003	21,940

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 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, a 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 Presentation–Fund Accounting—The proprietary funds are used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net assets. The Authority maintains various proprietary fund types as detailed in the combining financial statements. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting for Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), excluding those issued after November 30, 1989.

Basis of Accounting—The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require 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 these estimates.

Basis of Reporting—Effective January 1, 2003, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and also adopted the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 establishes standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt*—This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted*—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The net assets of the 1992 A&B Program and the Unrestricted Fund are unrestricted. The net assets of all other programs are substantially restricted under the terms of the various bond indentures.

The adoption of GASB No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the statement, and the change from the indirect to the direct method of reporting cash flows from operating activities.

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 net assets, and the amount is disclosed in the statements of cash flows as unrealized (gain) loss on investments. 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, 2004	Change During the Year Ended December 31, 2004	Balance December 31, 2004
1987 Program	$ 46	$ (23)	$ 23
MRCMO Program	633	27	660
1992 C Program	309	(119)	190
1993 A&B Program	(20)	47	27
1993 C Program	(61)	28	(33)
1994 A&B Program	299	(97)	202
1995 B Program	695	(190)	505
1996 B Program	611	(187)	424
1997 C1-C4 Program	606	(83)	523
1997 D Program	870	(270)	600
1998 B Program	632	(110)	522
1998 D Program	593	(19)	574
1999 A Program	699	(217)	482
2000 A&B Program	805	(411)	394
2000 C, D, & E Program	802	(318)	484
2002 A Program	999	(236)	763
2003 A Program		362	362
Unrestricted	288	(168)	120
	$ 8,806	$ (1,984)	$ 6,822

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.

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, 2004 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. The book balances approximated the bank balances at December 31, 2004.

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, 2004 are as follows (in thousands):

MRCMO Program	$ 2,231
Unrestricted Fund	17,808
2002 CPN Program	55,150
Combined	$ 75,189

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 1	Category 2 (in thousands)	Category 3	Carrying Amount and Fair Value
U. S. Government and Agency Securities	$ 75,189	$ -	$ -	$ 75,189
Guaranteed Investment Agreements			66,525	66,525
	$ 75,189	$ -	$ 66,525	$ 141,714

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:

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 $400,000 at December 31, 2004. 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 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 7.35%
2000 C, D & E Program	30 Years	5.625% to 7.125%
2002 A Program (1992 A&B)	30 Years	7.00%
2003 A Program	33 Years	4.76% to 5.25%

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 1993 A&B, 1994 A&B, 1995 B, 1996 B, 1997 D, 1998 B, 1998 D, 1999 A, 2000 A&B, 2000 C, D & E, 2002 A and 2003 A Programs as a yield adjustment. The 2004 Program also will have nonrefundable commitment fees. However, as the acquisition period for this program has not yet ended, nonrefundable commitment fees for this program will not be amortized until 2005.

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, 2004.

	Unamortized Deferred Net Fees
1993 A&B Program	$ 2,500
1995 B Program	10,000
1996 B Program	12,500
1997 D Program	22,600
1998 B Program	37,000
1998 D Program	77,000
1999 A Program	27,000
2000 A&B Program	56,000
2000 CD&E Program	522,000
2002A Program	20,000
2003A Program	182,000

5. BONDS AND LINES OF CREDIT 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 and lines of credit payable consist of the following at December 31, 2004 (in thousands):

1987 Program, term bonds due 2011, bearing interest at 8.25% payable monthly	$ 47
MRCMO Program:	
Zero coupon bonds due 2014, priced to yield 9.33% at maturity	3,500
Less unamortized bond discount	(2,086)
Total—MRCMO Program	1,414
1992 C Program, term bonds due 2032, bearing interest at 7% payable semiannually	1,285
1993 A&B Program, due serially and term from 2004 through 2025, bearing interest at 4.45% to 5.50% payable semiannually	7,900
1993 C Program, due serially and term from 2004 through 2025, bearing interest at 4.55% to 5.50% payable semiannually	3,055
1994 A&B Program, term due serially and from 2004 through 2028, bearing interest at 5.45% to 6.80% payable semiannually	4,300
1995 B Program, due serially and term from 2004 through 2028, bearing interest at 4.70% to 6.35% payable semiannually	8,105
1996 B Program, due serially and term from 2004 through 2029, bearing interest at 4.75% to 6.20% payable semiannually	8,306
1997 C1-C3 Program:	
Capital appreciation bonds due term 2030 priced to yield 5.85% at maturity	33,045
Serial and term bonds due from 2004 through 2018, bearing interest at 4.75% to 6.75% payable semiannually	4,330
Less unamortized bond discount	(25,563)
Total—1997 C1-C3 Program	11,812
1997 D Program, due serially and term from 2004 through 2030, bearing interest at 4.60% to 5.90% payable semiannually	11,335
1998 B Program, due serially and term from 2004 through 2030, bearing interest at 4.15% to 5.45% payable semiannually	15,100

1998 D Program, due serially and term from 2004 through 2033, bearing interest at 3.90% to 5.25% payable semiannually	23,230
1999 A Program, due serially and term from 2004 through 2033, bearing interest at 4.00% to 5.70% payable semiannually	10,695
2000 A&B Program:	
Capital appreciation bonds due serially and term from 2013 to 2032 priced to yield 6.10% to 6.83% at maturity	17,260
Serial and term bonds due from 2004 through 2026, bearing interest at 4.90% to 6.38% payable semiannually	8,555
Less unamortized bond discount	(14,583)
Total—2000 A&B Program	11,232
2000 C, D & E Program:	
Capital appreciation bonds due serially and term from 2014 to 2034 priced to yield 5.80% to 6.50% at maturity	17,325
Serial and term bonds due from 2004 through 2027, bearing interest at 4.50% to 5.95% payable semiannually	11,100
Less unamortized bond discount	(13,850)
Total—2000 C, D & E Program	14,575
2002 A Program:	
Capital appreciation bonds due serially and term from 2013 to 2016 priced to yield 5.00% to 5.30% at maturity	2,435
Serial and term bonds due from 2004 through 2033, bearing interest at 2.30% to 5.60% payable semiannually	22,735
Less unamortized bond discount	(978)
Total—2002 A Program	24,192
2002 CPN Program (convertible program notes) due in 2005 bearing interest at a variable interest rate (2.43% at December 31, 2004) payable monthly	55,150
2002 B Escrow fund, due in 2005	13,306
2003 A Program, due serially and term 2005 through 2036, bearing interest at 4.70% to 5.25% payable semi annually	21,940
2004 CPN Program (convertible program notes) due in 2005 bearing interest at a variable interest rate (2.43% at December 31, 2004) payable monthly	7,809
2004 B Escrow fund, due in 2005	20,000
	$274,788

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, 2004 were as follows (in thousands):

	Early Bond Redemptions	Related Deferred Financing Costs Expensed
1987 Program	$ 212	$ 2
1992 C Program	1,310	14
1993 A&B Program	1,775	17
1993 C Program	600	6
1994 A&B Program	2,225	32
1995 B Program	4,015	51
1996 B Program	2,750	35
1997 C1-C3 Program	5,085	35
1997 D Program	4,750	69
1998 B Program	4,305	64
1998 D Program	6,570	76
1999 A Program	5,515	95
2000 A&B Program	8,330	58
2000 C, D & E Program	7,570	95
2002A Program	4,555	67
2003A Program	504	5
	$ 60,071	$ 721

Following is a summary of changes in debt during the year ended December 31, 2004:

Balance—January 1, 2004	$ 306,044
Proceeds from new issuances	49,749
Repayments	(81,005)
Balance—December 31, 2004	$ 274,788

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

Scheduled principal payments (in thousands):

	2005	2006	2007	2008	2009	Thereafter	Total
1987 Program	$ -	$ -	$ -	$ -	$ -	$ 47	$ 47
MRCMO Program						3,500	3,500
1992 C Program						1,285	1,285
1993 A&B Program	115					7,785	7,900
1993 C Program	60				225	2,770	3,055
1994 A&B Program	100	3,095	100	105		900	4,300
1995 B Program	140	150	160	175	185	7,295	8,105
1996 B Program	145	145	150	155		7,711	8,306
1997 C1-C3 Program	770					36,605	37,375
1997 D Program	195	210	220	230		10,480	11,335
1998 B Program						15,100	15,100
1998 D Program	100	105	110	120	115	22,680	23,230
1999 A Program						10,695	10,695
2000 A&B Program						25,815	25,815
2000 C, D & E Program						28,425	28,425
2002 A Program	295	310	300	535	550	23,180	25,170
2002 CPN and 2002B Programs	68,456						
2003 A Program						21,940	21,940
2004 CPN Program	7,809						7,809
2004B Escrow Program	20,000						20,000
	$98,185	$4,015	$1,040	$1,320	$ 1,075	$226,213	331,848
Less unamortized bond discount							(57,060)
Total outstanding at December 31, 2004							$274,788

Scheduled interest payments (in thousands):

	2005	2006	2007	2008	2009	Thereafter	Total
1987 Program	$ 4	$ 4	$ 4	$ 4	$ 4	$ 9	$ 29
1992 C Program	90	90	90	90	90	2,024	2,474
1993 A&B Program	392	389	389	389	389	5,351	7,299
1993 C Program	151	150	150	150	144	1,433	2,178
1994 A&B Program	255	249	243	237	246	3,545	4,775
1995 B Program	482	473	464	454	464	6,409	8,746
1996 B Program	494	485	476	467	481	7,293	9,696
1997 C1-C3 Program	237	214	214	214	214	1,602	2,695
1997 D Program	674	662	649	636	656	10,019	13,296
1998 B Program	755	755	755	755	755	16,058	19,833
1998 D Program	1,159	1,154	1,149	1,143	1,149	21,870	27,624
1999 A Program	588	588	588	588	588	10,532	13,472
2000 A&B Program	513	513	513	513	513	8,983	11,548
2000 C, D & E Program	666	666	666	666	666	11,655	14,985
2002 A Program	1,129	1,114	1,099	1,078	1,105	18,694	24,219
2002 CPN and 2002B Programs	1,027						
2003A Program						1,097	1,097
2004 CPN and 2004B Escrow Program	675						675
	$ 9,291	$ 7,506	$ 7,449	$ 7,384	$ 7,464	$ 126,574	$ 165,668

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, 2004, the following amounts were paid to the Authority's Board members:

Board Member	
Randy Bonnecaze	$ 7,400
Astrid Clements	6,600
Robert Gaston, III	5,600
William G. Gauthier	7,400
Henry Henegan	6,600
Sidney W. Longwell, Sr.	6,600
Jake L. Netterville	5,600
Loretta Pourciau	6,800
Jacqui Vines	6,200
Total	$ 58,800

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

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 vary 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 Net Assets.

8. DOWNPAYMENT ASSISTANCE AND AUTHORITY ASSISTANCE PROGRAMS

During fiscal year 1996, the Authority began the Downpayment Assistance Program ("DAP") 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 ("AAP") 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, 2004 (in thousands):

	December 31, 2003	Paid in 2004	2004 Amortization	December 31, 2004
1995 B Program	$ 51	$ -	$ (51)	$ -
1996 B Program	108		(54)	54
1997 C1-C3 Program	700		(175)	525
1997 D Program	220		(73)	147
1998 B Program	511		(128)	383
1998 D Program	915		(183)	732
1999 A Program	485		(97)	388
2000 A&B Program	796		(133)	663
2000 C, D & E Program	768		(96)	672
2002 A	619		(68)	551
2003 A	118	606		724
	$5,291	$ 606	$(1,058)	$4,839

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 of closed funds once bonds are redeemed, and (3) balances in the cost of issuance accounts.

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SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the individual programs and unrestricted fund financial statements of East Baton Rouge Mortgage Finance Authority (the "Authority"), as of and for the year ended December 31, 2004, and have issued our report thereon dated June 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 reportable 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.

Compliance and Other Matters

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

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

June 14, 2005