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The Finance Authority of New Orleans

Management's Discussion and Analysis, Financial Statements for the Year Ended March 31, 2004 and Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10-6-04

THE FINANCE AUTHORITY OF NEW ORLEANS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of The Finance Authority of New Orleans financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended March 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 7.

The combined financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Operating Fund, NOHMA Development Corporation, Unrestricted Fund, Xavier University Fund, and the Willows Housing Restoration Corporation. Because the assets of the bond programs and certain of the other funds 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. For purposes of this analysis, we will, except when specifically indicated, refer to the combined totals in order to assist the reader in understanding the overall financial status of the Authority.

The Authority's fiscal year ends on March 31 of each year. Therefore, the year ended March 31, 2004 is referred to as 2004 or Fiscal 2004 and the year ended March 31, 2003 is refereed to as 2003 or Fiscal 2003 herein.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at the close of fiscal 2004 by $43,713,000, which represents a .5% decrease from last year.

- The Authority's mortgage- backed and other securities had unrealized losses of $2,166,000 in Fiscal 2004. These unrealized losses were mitigated somewhat by items in other income totaling $285,000 representing the effect of certain government grants which are reflected in income as the fair market value of certain mortgage-backed securities change. The total unrealized loss was $1,881,000 in 2004 and in Fiscal 2003 there was an unrealized gain of $16,296,000

- The Authority's revenues, exclusive of the total unrealized gains and losses on securities, increased $814,000 (or 3.9%). There was a $17,601,000 decrease in the excess (deficiency) of revenues over expenses ("net income (loss)") (i.e. change in net assets) from net income of $17,401,000 in 2003 to a net loss of $200,000 in 2004 primarily as a result of the change in the fair market value of investments in 2004 compared to 2003.

- During the year, the four single family funds created in 1987 and 1988 were fully liquidated and three new single family funds designated as 2003 program funds were created by issuing bonds totaling $99,251,000.

- During 2004, the Authority formed Willows Housing Restoration Corporation ("Willows"). Willows acquired a 260-unit apartment complex from a national not-for-profit organization. The Authority intends to make certain improvements to the complex and then place it for sale.

OVERVIEW OF THE FINANCIAL STATEMENTS

These 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 in this section include the combining balance sheets; the combining statements of revenues, expenses, and changes in net assets; and the combining statements of cash flows. Each statement is presented as a combining statement for all funds followed by separate statements which disaggregate the information for individual single family funds.

The combining balance sheets (pages 7 through 9) 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 combining statements of revenues, expenses, and changes in net assets (pages 10 through 12) present information showing how the Authority's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The combining statements of cash flows (pages 13 through 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 includes the reconciliation of the excess (deficiency) of revenues over expenses before operating transfers to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE AUTHORITY

Combined Statements of Net Assets
as of March 31, 2004 and 2003
(In thousands)

	Total	
	2004	2003
Cash, GIC's and other securities	$ 182,005	$ 164,754
Mortgage-backed securities	160,292	194,476
Notes and other receivables	43,281	46,518
Capital assets—net	4,933	235
Other assets	4,910	5,131
Total assets	395,421	411,114
Other liabilities	12,305	14,623
Long-term debt outstanding	339,403	352,578
Total liabilities	351,708	367,201
Net assets:		
Invested in capital assets—less related debt	1,619	235
Restricted	29,444	32,249
Unrestricted	12,650	11,429
Total net assets	$ 43,713	$ 43,913

Net capital assets represent property and equipment, principally the Willows Apartment complex, less the related mortgage note payable to Regions Bank. Restricted net assets represent those assets that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs less the related liabilities. Conversely, unrestricted net assets are those assets for which there are no such limitations.

Capital assets increased from $235,000 at March 31, 2003 to $4,933,000 at March 31, 2004. This increase was primarily due to the acquisition of the Willows apartment complex in July 2003. Note 7 to the financial statements summarizes activity in capital assets during the year.

Net assets of the Authority decreased by $200,000, or .5%, from March 31, 2003 to March 31, 2004. This decrease in net assets can be attributed to the net loss of $200,000 which includes a decrease in the fair value of securities of $1,881,000.

	2004	2003
	(In thousands)	
Operating revenues	$ 20,027	$ 37,370
Operating expenses	20,277	19,969
Excess (deficiency) of revenues over expenses	$ (200)	$ 17,401

Operating Revenue

The Authority's revenues decreased primarily due to lower mortgage interest income as a result of a shrinking asset base of mortgage backed securities in a climate of falling interest rates stimulating early payoffs and refinancing and decreasing volume in housing program activity. In addition the Authority had a total net decrease in the fair market value of investments of $1,881,000 in 2004 compared to a total net increase in the fair value of investments of $16,296,000 in 2003. Expenses increased as a result of additional program expenses of $808,000 due to the Willows Apartment complex being only partly offset by reduced interest payments due to early retirement of bonds payable.

Debt

The Finance Authority of New Orleans had $339,403,000 in bonds and notes outstanding at year-end, 2004 compared to $352,578,000 at the end of 2003, a decrease of 3.7%, as shown in the table below.

Outstanding Debt at Year-End
(In thousands)

	2004	2003
Mortgage Revenue Bonds	$ 336,089	$ 352,578
Mortgage on the Willows Apartment complex	3,314	
Totals	$ 339,403	$ 352,578

The decreased debt level resulted from the new 2003 single family bond programs and the Willows loan being insufficient to offset the effect of $116 million dollars in bond redemptions made during the year.

Note 8 to the financial statements discloses the details of debt for the year ended March 31, 2004.

The Authority's single family bond issue rating continues to carry an AAA rating due to the GNMA and FNMA securities pledged as collateral for the Authority's bond issues.

The Authority has accrued interest and other liabilities of $12,305,000 outstanding at year-end 2004 compared with $14,623,000 at year end 2003.

CONTACTING THE FINANCE AUTHORITY OF NEW ORLEANS' MANAGEMENT

This financial report is designed to provide New Orleans' citizens and taxpayers, as well as the Authority's customers, and creditors with a general overview of The Finance Authority of New Orleans'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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Deloitte.

Bruno & Tervalon LLP

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Finance Authority of New Orleans:

We have audited the accompanying combining general purpose financial statements of The Finance Authority of New Orleans (the "Authority") as of March 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. The prior year summarized memorandum only totals have been derived from the general purpose financial statements of The Finance Authority of New Orleans as of March 31, 2003 and for the year then ended and, in our report dated July 11, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Authority at March 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.

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statements Numbers 34, 37 and 38 as of and for the year ended March 31, 2004.

Management's discussion and analysis on pages 1 through 4 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 September 22, 2004 on our consideration of internal control over financial reporting and our tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP Bruno & Tervalon LLP

September 22, 2004

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING BALANCE SHEETS - ALL FUNDS
MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

ASSETS	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Willows Housing Restoration Corporation	Single Family Program Funds	Totals (Memorandum Only) 2004	Totals (Memorandum Only) 2003
Cash	$1,373	$ 206	$ 1,125	$ 68	$ 760	$ 2,448	$ 5,980	$ 4,225
Guaranteed investment contracts						111,493	111,493	45,479
U.S. Government and agency securities			757			61,130	61,887	112,979
Corporate securities			2,645				2,645	2,071
Mortgage-backed securities			1,361			158,931	160,292	194,476
Receivables:								
Mortgage loans		277	2,627	35,000		3,269	41,173	42,866
Accrued interest			110			1,212	1,322	1,513
Other loans		250	598	247			1,095	2,584
Total receivables		527	3,335	35,247		4,481	43,590	46,963
Less allowance for doubtful receivables		50	141			118	309	445
Receivables—net		477	3,194	35,247		4,363	43,281	46,518
Capital assets	15		213		4,705		4,933	235
Prepaid expenses	54	9	64				127	115
Bond issuance costs and other deferred expenses—net of accumulated amortization					106	4,677	4,783	5,016
TOTAL ASSETS	$1,442	$ 692	$ 9,359	$35,315	$ 5,571	$ 343,042	$ 395,421	$411,114
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued interest and other	$ 71	$ 3	$ -	$ 510	$ 415	$ 5,996	$ 6,995	$ 7,413
Restricted grants			321			3,239	3,560	4,986
Deferred revenue						1,750	1,750	2,224
Bonds payable				34,805	3,314	301,284	339,403	352,578
Total	71	3	321	35,315	3,729	312,269	351,708	367,201
COMMITMENTS AND CONTINGENCIES								
NET ASSETS:								
Invested in capital assets—less related debt	15		213		1,391		1,619	235
Restricted						29,444	29,444	32,249
Unrestricted	1,356	689	8,825		451	1,329	12,650	11,429
Total net assets	1,371	689	9,038		1,842	30,773	43,713	43,913
TOTAL LIABILITIES AND NET ASSETS	$1,442	$ 692	$ 9,359	$35,315	$ 5,571	$ 343,042	$ 395,421	$411,114

See notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING BALANCE SHEETS - SINGLE FAMILY PROGRAM FUNDS
MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											
ASSETS	**Series A of 1985**	**Series A of 1987**	**Series A of 1988**	**Series B-1 of 1988**	**Series C-1 of 1988**	**MRCMO of 1991**	**Series A of 1991**	**Refunding Series of 1992**	**Series A of 1993**	**Series A of 1994**	**Series A of 1995**	**Series A&B of 1996**
Cash	$ 38	$	$	$	$	$ 23	$ 146	$ 31	$ 251	$ 25	$ 11	$ 22
Guaranteed investment contracts	193					109			325	216	1,356	1,382
U.S. Government and agency securities						930		60,200				
Mortgage-backed securities							192				14,042	16,441
Receivables:												
Mortgage loans	975								1,262	942		90
Accrued interest	31					2	1		11	21	90	102
Other												
Total receivables	1,006					2	1		1,273	963	90	192
Less allowance for doubtful receivables									75	43		
Receivables—net	1,006					2	1		1,198	920	90	192
Prepaid expenses												
Bond issuance costs and other deferred expenses—net of accumulated amortization	29							264	183		15	234
TOTAL ASSETS	$ 1,266	$	$	$	$	$ 1,064	$ 339	$60,495	$1,957	$1,161	$15,514	$18,471
LIABILITIES AND NET ASSETS												
LIABILITIES:												
Accrued interest and other	$ 854	$	$	$	$	$ -	$ -	$ 664	$ 25	$ 171	$ 280	$ 314
Restricted grants												694
Deferred revenue											69	156
Bonds payable	129					577		50,616	868		13,610	15,815
Total liabilities	983					577		51,280	893	171	13,959	16,979
COMMITMENTS AND CONTINGENCIES												
NET ASSETS:												
Restricted	283					487		9,215	1,064		1,555	1,492
Unrestricted							339			990		
Total net assets	283					487	339	9,215	1,064	990	1,555	1,492
TOTAL LIABILITIES AND NET ASSETS	$ 1,266	$	$	$	$	$ 1,064	$ 339	$60,495	$1,957	$1,161	$15,514	$18,471

See notes to financial statements.

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING BALANCE SHEETS - SINGLE FAMILY PROGRAM FUNDS
MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											Totals	
ASSETS	Series A,B&C of 1997	Series A&B of 1998	Series A&B of 1999	Series A,B1&B2 of 2000	Series A&B of 2001	Refunding Series of 2002	MRCMO of 2002	Series C of 2002	Series A of 2003	Taxable GNMA Series A of 2003	Single Family Bonds of 2003	(Memorandum Only) 2004	2003
Cash	$ 22	$ 329	$ 18	$ 151	$ 330	$ 6	$ 125	$ 1	$ 169	$ 748	$ 2	$ 2,448	$ 1,220
Guaranteed investment contracts	2,325	2,649	2,064	3,162	1,408			21,557	15,471		59,076	111,493	45,479
U.S. Government and agency securities												61,130	112,139
Mortgage-backed securities	18,687	22,240	18,069	20,722	17,596		5,480		6,661	18,801		158,951	193,399
Receivables:													
Mortgage loans												3,269	4,152
Accrued interest	118	126	119	160	93		32	21	102	115	68	1,212	1,381
Other													396
Total receivables	118	126	119	160	93		32	21	102	115	68	4,481	5,929
Less allowance for doubtful receivables												118	170
Receivables—net	118	126	119	160	93		32	21	102	115	68	4,363	5,759
Prepaid expenses													
Bond issuance costs and other deferred expenses—net of accumulated amortization	328	518	413	591	882		164	36	602	371	47	4,677	5,016
TOTAL ASSETS	$21,480	$25,862	$20,683	$ 24,786	$20,309	$ 6	$ 5,801	$21,615	$23,005	$20,035	$59,193	$343,042	$363,012
LIABILITIES AND NET ASSETS													
LIABILITIES:													
Accrued interest and other	$ 334	$ 432	$ 1,221	$ 677	$ 473	$ -	$ 24	$ 19	$ 331	$ 107	$ 70	$ 5,996	$ 6,883
Restricted grants	667	610	586	416	266							3,239	3,521
Deferred revenue	140	146	259	315	363				302			1,750	2,224
Bonds payable	17,490	22,520	16,870	20,804	17,714		5,080	21,557	21,533	17,025	59,076	301,284	317,778
Total liabilities	18,631	23,708	18,936	22,212	18,816		5,104	21,576	22,166	17,132	59,146	312,269	330,406
COMMITMENTS AND CONTINGENCIES													
NET ASSETS:													
Restricted	2,849	2,154	1,747	2,574	1,493	6	697	39	839	2,903	47	29,444	32,249
Unrestricted												1,329	357
Total net assets	2,849	2,154	1,747	2,574	1,493	6	697	39	839	2,903	47	30,773	32,606
TOTAL LIABILITIES AND NET ASSETS	$21,480	$25,862	$20,683	$ 24,786	$20,309	$ 6	$ 5,801	$21,615	$23,005	$20,035	$59,193	$343,042	$363,012

See notes to financial statements.

(Concluded)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS- ALL FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Willows Housing Restoration Corporation	Single Family Program Funds	Totals (Memorandum Only) 2004	2003
REVENUES:								
Interest on mortgage loans and mortgage-backed securities	$ -	$ -	$ 323	$1,759	$ -	$10,571	$12,653	$14,145
Interest on other investments	9	1	212			6,065	6,287	6,538
Lender participation fees						775	775	265
Unrealized gain (loss) on:								
Mortgage-backed securities			20			(1,528)	(1,508)	9,879
Other securities			(100)			(558)	(658)	6,924
Rental income					812		812	
Proceeds from prior year loan sale			1,335				1,335	
Other	40	6				285	331	(381)
Total revenues	49	7	1,790	1,759	812	15,610	20,027	37,370
EXPENSES:								
Interest on revenue bonds				1,745	69	14,881	16,695	18,242
Program expenses	822	54	37	14	808	266	2,001	1,057
Amortization of bond issuance and other costs					10	1,521	1,531	670
Total expenses	822	54	37	1,759	887	16,668	20,227	19,969
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	(773)	(47)	1,753		(75)	(1,058)	(200)	17,401
OPERATING TRANSFERS IN (OUT)	664	215	(2,021)		1,917	(775)		
CHANGE IN NET ASSETS	(109)	168	(268)		1,842	(1,833)	(200)	17,401
NET ASSETS—Beginning of year	1,480	521	9,306			32,606	43,913	26,512
NET ASSETS—End of year	$1,371	$ 689	$9,038	$ -	$1,842	$30,773	$43,713	$43,913

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											
	Series A of 1985	Series A of 1987	Series A of 1988	Series B-1 of 1988	Series C-1 of 1988	MRCMO of 1991	Series A of 1991	Refunding Series of 1992	Series A of 1993	Series A of 1994	Series A of 1995	Series A&B of 1996
REVENUES:												
Interest on mortgage loans and mortgage-backed securities	$ 81	$ -	$ 348	$ 271	$ 415	$ -	$ 11	$ -	$ 113	$ 112	$ 938	$ 1,053
Interest on other investments	44		35	20	37	59	4	3,715	20	4	112	143
Lender participation fees			135	98	137						65	20
Unrealized gain (loss) on:												
Mortgage-backed securities			(103)	(128)	(160)		(6)				(150)	(177)
Other securities						26		(584)				
Other, including realized gains												73
Total revenues	125		415	261	429	85	9	3,131	133	116	965	1,112
EXPENSES:												
Interest on revenue bonds	137		349	258	402	50		3,258	33	18	970	1,073
Program expenses	54		2	4	2	14		13	19	10	9	10
Amortization of bond issuance and other costs	15		128	141	179			60		44	32	26
Total expenses	206		479	403	583	64		3,331	52	72	1,011	1,109
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	(81)		(64)	(142)	(154)	21	9	(200)	81	44	(46)	3
OPERATING TRANSFERS IN (OUT)		(4)	(1,500)	(1,665)	(1,094)		(23)				(19)	(74)
CHANGE IN NET ASSETS	(81)	(4)	(1,564)	(1,807)	(1,248)	21	(14)	(200)	81	44	(65)	(71)
NET ASSETS—Beginning of year	364	4	1,564	1,807	1,248	466	353	9,415	983	946	1,620	1,563
NET ASSETS—End of year	$ 283	$ -	$ -	$ -	$ -	$ 487	$339	$ 9,215	$ 1,064	$ 990	$ 1,555	$ 1,492

See notes to financial statements.

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											Totals	
	Series A,B&C of 1997	Series A&B of 1998	Series A&B of 1999	Series A,B1&B2 of 2000	Series A&B of 2001	Refunding Series of 2002	MRCMO of 2002	Series C of 2002	Series A of 2003	Taxable GNMA Series A of 2003	Single Family Bonds of 2003	(Memorandum Only) 2004	2003
REVENUES:													
Interest on mortgage loans and mortgage-backed securities	$ 1,177	$ 1,313	$ 1,248	$ 1,371	$ 1,014	$ -	$ 417	$ -	$ 81	$ 608	$ -	$10,571	$12,315
Interest on other investments	130	195	164	201	34	248	1	263	203		433	6,065	6,263
Lender participation fees	35	40	120	100	25							775	265
Unrealized gain (loss) on:													
Mortgage-backed securities	(186)	(143)	(215)	(191)	(25)		(107)		83	(20)		(1,528)	9,863
Other securities												(558)	6,724
Other—including realized gains	36	2	92	97	(15)							285	(507)
Total revenues	1,192	1,407	1,409	1,578	1,033	248	311	263	367	588	433	15,610	34,923
EXPENSES:													
Interest on revenue bonds	1,104	1,223	1,342	1,434	874	210	306	270	796	339	435	14,881	16,788
Program expenses	11	14	13	15	11	25	1		3	36		266	211
Amortization of bond issuance costs	95	100	200	192	107	10	87	40	30	25	10	1,521	670
Total expenses	1,210	1,337	1,555	1,641	992	245	394	310	829	400	445	16,668	17,669
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	(18)	70	(146)	(63)	41	3	(83)	(47)	(462)	188	(12)	(1,058)	17,254
OPERATING TRANSFERS IN (OUT)	(49)	(45)	(105)	(135)	(55)	(22)	(121)	61	1,301	2,715	59	(775)	(1,203)
CHANGE IN NET ASSETS	(67)	25	(251)	(198)	(14)	(19)	(204)	14	839	2,903	47	(1,833)	16,051
NET ASSETS—Beginning of year	2,916	2,129	1,998	2,772	1,507	25	901	25				32,606	16,555
NET ASSETS—End of year	$ 2,849	$ 2,154	$ 1,747	$ 2,574	$ 1,493	$ 6	$ 697	$ 39	$ 839	$ 2,903	$ 47	$30,773	$32,606

See notes to financial statements.

(Concluded)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - ALL FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Willows Housing Restoration Corporation	Single Family Program Funds	Totals (Memorandum Only) 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received:								
Mortgage loans and mortgage-backed securities income	$ -	$ -	$ 268	$ 1,759	$ -	$ 10,811	$ 12,838	$ 14,183
Collection of mortgage loans and mortgage-backed securities		159	1,161			64,295	65,615	27,638
Other items			1,335		812	797	2,944	545
Cash paid:								
Purchase of mortgage loans and mortgage-backed securities			(699)			(30,472)	(31,171)	(54,696)
Downpayment assistance programs						(400)	(400)	(814)
Other items	(653)	(304)	(58)	(118)	(515)	(196)	(1,844)	(909)
Net cash (used in) provided by operating activities	(653)	(145)	2,007	1,641	297	44,835	47,982	(14,053)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Proceeds from bond issuances						99,794	99,794	95,576
Bonds redeemed						(116,346)	(116,346)	(46,618)
Interest paid on revenue bonds				(1,672)		(15,886)	(17,558)	(18,542)
Payment of bond issuance costs						(846)	(846)	(101)
Interfund activities—transfers	664	215	(2,021)		1,917	(775)		-
Net cash provided by (used in) noncapital financing activities	664	215	(2,021)	(1,672)	1,917	(34,059)	(34,956)	30,315
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from note payable					3,360		3,360	
Repayments of note payable					(46)		(46)	
Payment of loan costs					(69)		(69)	
Interest paid	(2)				(116)		(118)	
Acquisition of capital assets					(4,583)		(4,583)	
Net cash used in capital and related financing activities	(2)				(1,454)		(1,456)	
CASH FLOWS FROM INVESTING ACTIVITIES:								
Maturities (purchases) of investments—net			(491)			(13,894)	(14,385)	(22,871)
Interest received on investments	11	1	212			4,346	4,570	5,103
Net cash (used in) provided by investing activities	11	1	(279)			(9,548)	(9,815)	(17,768)
NET INCREASE (DECREASE) IN CASH	20	71	(293)	(31)	760	1,228	1,755	(1,506)
CASH—Beginning of year	1,353	135	1,418	99		1,220	4,225	5,731
CASH—End of year	$ 1,373	$ 206	$ 1,125	$ 68	$ 760	$ 2,448	$ 5,980	$ 4,225

See notes to financial statements.

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - ALL FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Willows Housing Restoration Corporation	Single Family Program Funds	Totals (Memorandum Only) 2004	Totals (Memorandum Only) 2003
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OPERATING TRANSFERS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
Excess (deficiency) of revenues over expenses before operating transfers	$ (773)	$ (47)	$ 1,753	$	$ (75)	$ (1,058)	$ (200)	$ 17,401
Adjustments to reconcile excess (deficiency) of revenues over expenses before operating transfers to net cash (used in) provided by operating activities:								
Unrealized (gain) loss on securities			80			2,086	2,166	(16,803)
Amortization of bond issuance and other costs					10	1,521	1,531	670
Interest on revenue bonds				1,745	69	14,881	16,695	18,242
Interest on investments	(9)	(1)	(212)			(6,065)	(6,287)	(6,538)
Other—net	129	(256)	(76)	(104)	293	(353)	(367)	33
Collections of mortgage loans and GNMA certificates		159	1,161			64,295	65,615	27,638
Purchases of mortgage loans and GNMA certificates			(699)			(30,472)	(31,171)	(54,696)
Net cash (used in) provided by operating activities	$ (653)	$ (145)	$ 2,007	$ 1,641	$ 297	$ 44,835	$ 47,982	$(14,053)

See notes to financial statements.

(Concluded)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											
	Series A of 1985	Series A of 1987	Series A of 1988	Series B-1 of 1988	Series C-1 of 1988	MRCMO of 1991	Series A of 1991	Refunding Series of 1992	Series A of 1993	Series A of 1994	Series A of 1995	Series A&B of 1996
CASH FLOWS FROM OPERATING ACTIVITIES:												
Cash received:												
Mortgage loans and mortgage-backed securities income	$ 123	$ -	$ 399	$ 313	$ 471	$ -	$ 14	$ -	$ 117	$ 114	$ 961	$ 1,073
Collection of mortgage loans and mortgage-backed securities	225		7,786	6,531	9,320		102		487	261	4,159	4,141
Other items	14		3						57	109		
Cash paid:												
Purchase of mortgage loans and mortgage-backed securities												(90)
Downpayment assistance programs												
Other items				(4)	(2)	(14)		(13)			(11)	(10)
Net cash provided by (used in) operating activities	362		8,188	6,840	9,789	(14)	116	(13)	661	484	5,109	5,114
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:												
Proceeds from bond issuance												
Bonds redeemed	(66)		(7,260)	(5,505)	(9,282)			(100)	(705)	(199)	(4,910)	(5,195)
Interest paid on revenue bonds	(430)		(569)	(409)	(639)			(3,202)	(95)	(406)	(1,076)	(1,170)
Payment of bond issuance and other costs—net												
Interfund activities		(4)	(1,500)	(1,665)	(1,094)		(23)				(19)	(74)
Net cash provided by (used in) noncapital financing activities	(496)	(4)	(9,329)	(7,579)	(11,015)		(23)	(3,302)	(800)	(605)	(6,005)	(6,439)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:												
Proceeds from note payable												
Repayments of note payable												
Payment of loan costs												
Interest paid												
Acquisition of capital assets												
Net cash used in capital and related financing activities												
CASH FLOWS FROM INVESTING ACTIVITIES:												
Maturities (purchases) of investments—net	112		1,096	689	1,169	6	3	1,418	206	(156)	796	1,206
Interest received on investments	37		45	49	57	8		2,100	23	10	111	141
Net cash provided by (used in) investing activities	149		1,141	738	1,226	14	3	3,518	229	(146)	907	1,347
NET INCREASE (DECREASE) IN CASH	15	(4)		(1)			96	3	90	(267)	11	22
CASH—Beginning of year	23	4		1		23	50	28	161	292		
CASH—End of year	$ 38	$ -	$ -	$ -	$ -	$ 23	$ 146	$ 31	$ 251	$ 25	$ 11	$ 22

See notes to financial statements.

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											Totals	
	Series 1997 AB&C	Series A&B of 1998	Series 1999 A&B	Series A,B1&B2 of 2000	Series A&B of 2001	Refunding Series of 2002	MRCMO OF 2002	Series C of 2002	Series A of 2003	Taxable GNMA Series A of 2003	Single Family Bonds of 2003	(Memorandum Only) 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:													
Cash received:													
Mortgage loans and mortgage-backed securities income	$ 1,200	$ 1,337	$ 1,283	$ 1,404	$ 1,028	$ -	$ 428	$ -	$ 53	$ 493	$ -	$ 10,811	$ 12,371
Collection of mortgage loans and mortgage-backed securities	4,686	5,121	6,585	6,028	1,966		1,914		167	4,816		64,295	26,623
Other items					315				299			797	545
Cash paid:													
Purchase of mortgage loans and mortgage-backed securities									(6,745)	(23,637)		(30,472)	(18,776)
Downpayment assistance programs					(100)				(300)			(400)	(814)
Other items	(11)	(15)	(12)	(21)		(25)	(1)	(21)		(36)		(196)	
Net cash provided by (used in) operating activities	5,875	6,443	7,856	7,411	3,209	(25)	2,341	(21)	(6,526)	(18,364)		44,835	19,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:													
Proceeds from bond issuance									21,543	19,175	59,076	99,794	60,776
Bonds redeemed	(4,560)	(4,210)	(8,090)	(6,425)	(1,405)	(50,661)	(1,980)	(3,443)		(2,150)		(116,346)	(46,618)
Interest paid on revenue bonds	(1,182)	(1,279)	(141)	(1,441)	(813)	(251)	(335)	(276)	(475)	(232)	(365)	(15,886)	(17,525)
Payment of bond issuance and other costs—net								(61)	(332)	(396)	(57)	(846)	(101)
Interfund activities	(49)	(45)	(105)	(135)	(55)	(22)	(121)	61	1,301	2,715	59	(775)	(1,203)
Net cash provided by (used in) noncapital financing activities	(5,791)	(5,534)	(8,336)	(8,001)	(2,273)	(50,934)	(2,436)	(3,719)	22,037	19,112	58,713	(34,059)	(4,671)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:													
Proceeds from note payable													
Repayments of note payable													
Payment of loan costs													
Interest paid													
Acquisition of capital assets													
Net cash used in capital and related financing activities													
CASH FLOWS FROM INVESTING ACTIVITIES:													
Maturities (purchases) of investments—net	(185)	(977)	1,389	483	(732)	50,690		3,443	(15,471)		(59,076)	(13,894)	(21,339)
Interest received on investments	123	191	179	219	44	248	1	263	129		365	4,346	4,871
Net cash provided by (used in) investing activities	(62)	(786)	1,568	702	(688)	50,938	1	3,706	(15,342)		(58,711)	(9,548)	(16,468)
NET INCREASE (DECREASE) IN CASH	22	123	1,088	112	248	(21)	(94)	(34)	169	748	2	1,228	(1,190)
CASH—Beginning of year		206	30	39	82	27	219	35				1,220	2,410
CASH—End of year	$ 22	$ 329	$ 1,118	$ 151	$ 330	$ 6	$ 125	$ 1	$ 169	$ 748	$ 2	$ 2,448	$ 1,220

See notes to financial statements.

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THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											
	Series A of 1985	Series A of 1987	Series A of 1988	Series B-1 of 1988	Series C-1 of 1988	MRCMO of 1991	Series A of 1991	Refunding Series of 1992	Series A of 1993	Series A of 1994	Series A of 1995	Series A&B of 1996
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OPERATING TRANSFERS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:												
Excess (deficiency) of revenues over expenses before operating transfers	$ (81)	$ -	$ (64)	$ (142)	$ (154)	$ 21	$ 9	$ (200)	$ 81	$ 44	$ (46)	$ 3
Adjustments to reconcile excess (deficiency) of revenues over expenses before operating transfers to net cash provided by (used in) operating activities:												
Unrealized (gain) loss on securities			103	128	160	(26)	6	584			150	177
Amortization of bond issuance and other costs	15		128	141	179			60		44	32	26
Interest on revenue bonds	137		349	258	402	50		3,258	33	18	970	1,073
Interest on investments	(44)		(35)	(20)	(37)	(59)	(4)	(3,715)	(20)	(4)	(112)	(143)
Other—net	110		(79)	(56)	(81)		3		80	121	(44)	(73)
Collections of mortgage loans and GNMA certificates	225		7,786	6,531	9,320		102		487	261	4,159	4,141
Purchases of GNMA certificates												(90)
Net cash provided by (used in) operating activities	$ 362	$ -	$8,188	$6,840	$9,789	$ (14)	$ 116	$ (13)	$ 661	$ 484	$ 5,109	$ 5,114

See notes to financial statements.

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THE FINANCE AUTHORITY OF NEW ORLEANS

COMBINING STATEMENTS OF CASH FLOWS - SINGLE FAMILY PROGRAM FUNDS
YEAR ENDED MARCH 31, 2004 (WITH COMPARATIVE TOTALS FOR MARCH 31, 2003)
(In thousands)

	Single Family Program Funds											Totals	
	Series 1997 AB&C	Series A&B of 1998	Series 1999 A&B	Series A,B1&B2 of 2000	Series A&B of 2001	Refunding Series of 2002	MRCMO OF 2002	Series C of 2002	Series A of 2003	Taxable GNMA Series A of 2003	Single Family Bonds of 2003	(Memorandum Only) 2004	2003
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OPERATING TRANSFERS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:													
Excess (deficiency) of revenues over expenses before operating transfers	$ (18)	$ 70	$ (146)	$ (63)	$ 41	$ 3	$ (83)	$ (47)	$ (462)	$ 188	$ (12)	$ (1,058)	$ 17,254
Adjustments to reconcile excess (deficiency) of revenues over expenses before operating transfers to net cash provided by (used in) operating activities:													
Unrealized (gain) loss on securities	186	143	215	191	25		107		(83)	20		2,086	(16,587)
Amortization of bond issuance and other costs	95	100	200	192	107	10	87	40	30	25	10	1,521	670
Interest on revenue bonds	1,304	1,223	1,342	1,434	874	210	306	270	796	339	435	14,881	16,788
Interest on investments	(130)	(195)	(164)	(201)	(34)	(248)	(1)	(263)	(203)		(433)	(6,065)	(6,263)
Other—net	(48)	(19)	(176)	(170)	230		11	(21)	(26)	(115)		(353)	240
Collections of mortgage loans and GNMA certificates	4,686	5,121	6,585	6,028	1,966		1,914		167	4,816		64,295	26,623
Purchases of GNMA certificates									(6,745)	(23,637)		(30,472)	(18,776)
Net cash provided by (used in) operating activities	$5,875	$6,443	$7,856	$ 7,411	$ 3,209	$ (25)	$ 2,341	$ (21)	$(6,526)	$(18,364)	$	$ 44,835	$ 19,949

See notes to financial statements.

(Concluded)

THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Finance Authority of New Orleans (the "Authority") is a public trust created by a trust indenture dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, for persons of low or moderate income. In accordance with the respective indentures, the proceeds from the single family bond issues are used to acquire mortgage notes and mortgage-backed securities.

The Authority is managed by a board of trustees appointed by the Council of the City of New Orleans. J.P. Morgan Trust Company, National Association serves as the trustee of its single family program funds. The Authority's staff serves as the mortgage loan administrator of the various whole loan portfolios. Various local financial institutions originate and service the Authority's single family program mortgage loans.

NOHMA Development Corporation—NOHMA Development Corporation was formed in the fiscal year 1994. The Corporation's mission is to provide increased home ownership among low-income families via a joint operating agreement with the Authority through a variety of services.

In fiscal year 1996, the Corporation and the Authority began issuing PRIDE and First Home Loans. Such loans aggregated approximately $600,000 at March 31, 2004.

Willows Housing Restoration Corporation—As discussed in Note 3, the Willows Housing Restoration Corporation was formed in 2004 in order to acquire and rehabilitate a local apartment complex.

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.

Basis of Reporting—Effective April 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 adoption of GASBS 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.

Investments—Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* issued by the Governmental Accounting Standards Board 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.

The Authority applies the provisions of the Statement to U.S. Government and agency 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 April 1, 2003	Change During the Year Ended March 31, 2004	Transfer	Balance March 31, 2004
Unrestricted	$ 228	$ (80)	$ -	$ 148
Series A of 1988	810	(103)	(707)	
Series B-1 of 1988	638	(128)	(510)	
Series C-1 of 1988	856	(160)	(696)	
MRCMO of 1991	(32)	26		(6)
Series A of 1991	20	(6)		14
Refunding Series of 1992	13,979	(584)		13,395
Series A of 1995	897	(150)		747
Series A&B of 1996	919	(177)		742
Series A,B&C of 1997	941	(186)		755
Series A&B of 1998	784	(143)		641
Series A&B of 1999	1,040	(215)		825
Series A,B1&B2 of 2000	1,126	(191)		935
Series A&B of 2001	533	(25)		508
MRCMO of 2002	462	(107)		355
Series A of 2003		83		83
Taxable GNMA Series A of 2003		(20)	1,913	1,893
	$23,201	$ (2,166)	$ -	$21,035

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

Restricted Grants—In connection with the 1996 and certain subsequent programs, the Authority is receiving government grants which compensate the Authority for issuing loans, through mortgage-backed securities, to certain lower income borrowers at rates lower than the current market. A portion of these grants are considered the equivalent of "interest rate buydowns." The balances attributable to such lending arrangements are recorded as restricted grants. As principal payments are made by the borrower, such payments are segregated to be recycled in a similar program or to be repaid to the government.

Capital Assets—Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated lives (buildings - 40 years; equipment - 5 to 10 years) of the related assets.

Bond Issuance Costs—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 "bond issuance costs and other deferred expenses."

Down Payment Assistant Programs—The cost of down payment programs are deferred and amortized over the lives of the related assets. The remaining unamortized balances are reflected in the accompanying balance sheets as "bond issuance costs and other deferred expenses."

Deferred Revenue—Single family program master servicer and lender participation fees are deferred and recognized as revenue over the lives of the related mortgage-backed securities.

Statement of Cash Flows—For purposes of the Statements of Cash Flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Combined Totals—All of the various bond issues are required to have specific funds and accounts established to account for transactions. Therefore, each bond issue column contains the total amounts for the various funds and accounts required, and the combined total column contains the totals of all funds of the Authority, including the Unrestricted Fund and certain other funds, which may be utilized by the Authority for any public purpose authorized by the Authority's Indenture. Since the use of assets and accounts of each of the bond issues is restricted by the related bond resolutions, the totaling of the funds and accounts is for convenience only and does not indicate that the combined assets are available in any manner other than as provided by the various trust indentures and bond resolutions.

2. XAVIER UNIVERSITY BONDS

The Authority issued $35,000,000 of bonds, less a $200,000 discount, in the year ended March 31, 2003 in order to provide funds to Xavier University to complete certain capital projects and repay certain debts of the University. The bond issue consists of (1) $8,115,000 of serial bonds due from 2004 to 2014 and bear interest at 2.51% to 4.68%, (2) $6,415,000 of term bonds which mature on June 1, 2020 and bear interest at 5.13%, (3) $8,660,000 of term bonds which mature on June 1, 2026 and bear interest at 5.34%, and (4) $11,810,000 of term bonds which mature on June 1, 2032 and bear interest at 5.37%. The term bonds require sinking fund redemptions to be made on June 1 of each year in amounts ranging from $945,000 to $2,230,000 beginning June 1, 2015 through June 1, 2032. The bonds are secured by a note from Xavier University which is collateralized by a mortgage of certain on its property and a pledge of all of its current and future revenues. The note is due in installments and bears interest with terms which are sufficient to pay all amounts when due under the bonds. Xavier University also agreed to reimburse the Authority for all of its expenses under this bond issue.

3. WILLOWS HOUSING RESTORATION CORPORATION

During 2004, the Authority formed Willows Housing Restoration Corporation ("Willows"). Willows acquired a 260-unit apartment complex from a national not-for-profit organization. The Authority intends to make certain improvements to the complex and then place it for sale. In connection with this purchase, the Willows borrowed $3,360,000 from a bank. The note bears interest at the bank's prime rate (4% at March 31, 2004) and is repayable in thirty-six monthly installments based on a 20-year amortization schedule. The unpaid balance is due on October 23, 2006. The Authority also obtained a $1,870,000 line of credit with the same bank in order to fund some of the improvement costs. The line of credit bears interest at the bank's prime rate and is repayable on demand and if no demand is made, interest is payable monthly to October 23, 2006 when the principal balance is due. No amounts were outstanding under the line of credit at March 31, 2004. The note and line of credit are collateralized by a mortgage on the complex and a guarantee by the Authority.

4. CASH AND INVESTMENTS

Cash—In accordance with the various revenue bond resolutions, the Authority maintains deposits at those depository banks authorized to act as trustees. All such depositories are members of the Federal Reserve System.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 3, the Authority's deposits are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes deposits that are insured or collateralized by securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department in the Authority's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging institution, but not in the Authority's name.

At March 31, 2004, substantially all cash on deposit was classified as a Category 1 credit risk.

Investments—The Authority may also invest idle funds as authorized by the various revenue bond resolutions, as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies,
- Insured or secured certificates of deposit,
- Investment agreements with certain financial institutions and federal agencies, or
- Promissory notes of United States banks.

At March 31, 2004 the Authority's investments consisted of:

Unrestricted Fund

The investments held in the Unrestricted Fund at March 31, 2004, totaling approximately $3,402,000, consisted of U.S. Treasury Notes and Agency obligations totaling $757,000 bearing interest from 1.76% to 6.00% and maturing through the year 2008 and $2,645,000 of corporate obligations bearing interest from 4.75% to 6.88% and maturing through the year 2018.

Single Family

Fund/Description	Carrying Amount (in thousands)
Series A of 1985:	
Investment agreement with Bank One, Dallas, Texas, 8%-11%, due 9-15-16	$ 193
MRCMO of 1991:	
Investment agreement with Berkshire Hathaway Inc., 6 - 6.7%, due 9-10-14	109
Federal National Mortgage Association, 0% debentures due 7-15-14	930
Total	1,039
Refunding Series of 1992:	
Resolution Trust Corp. 0% coupon bonds due from 7-15-04 to 1-15-11	60,200
Series A of 1993:	
Investment agreement with Postipanski, Ltd., 4.25%, due 5-1-14	325
Series A of 1994:	
Investment agreement with Bank One, Dallas, Texas, 10.25%, due 4-1-26	216
Series A of 1995:	
Investment agreements with AIG Financial Products Corp. 5.75%, due 6-1-28	1,356
Series A&B of 1996:	
Investment agreement with Societe General Corp., 6.6125%, due 12-1-29	1,582
Series AB&C of 1997:	
Investment agreement with CDC, 6.13%, due 12-1-30	2,325

Fund/Description	Carrying Amount (in thousands)
Single Family - Continued)	
Series A&B of 1998: Investment agreement with Transamerica, 4.63%, due 12-1-31	2,649
Series A&B of 1999: Investment agreement with AIG Funding Corporation, 6.23%, due 5-31-32	2,064
Series A,B1&B2 of 2000: Investment agreement with Bayerische Landesbank , 6.4% due 12-1-32	3,162
Series A&B of 2001: Investment agreement with Bayerische Landesbank , 2.53% due 12-15-15	1,408
Series C of 2002: Investment agreement with XL Asset Funding Company I LLC, variable rate due 6-1-06	21,557
Series A of 2003: Investment agreement with Transamerica Life Insurance and Annuity Company, 1.22% due 6-1-04	15,471
Single Family Bonds of 2003: Investment agreement with CDC Funding Corp, variable rate due 9-1-06	59,076
Total Single Family Investments	$ 172,623

In accordance with GASB Statement No. 3, the Authority's investments are categorized to give an indication of the level of risk assumed 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 counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

All of the Authority's U.S. Government and Agency investments at March 31, 2004, were classified as a Category 1 credit risk and all of its guaranteed investment contracts were classified as a Category 2 credit risk.

5. MORTGAGE-BACKED SECURITIES

Several of the single-family bond issues were structured to provide funds to purchase 30 year fixed rate mortgages which would then be immediately sold and assigned to a master servicer and exchanged for mortgage-backed securities. The securities are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA") or the Federal National Mortgage Association ("FNMA"). Interest on the GNMA and FNMA securities is stated at 1/2% and 5/8%, respectively, less than the interest rate on the respective mortgage loans with final maturity dates ranging from 2018 through 2033.

The following sets forth the individual single family issues structured in this manner and the values of the mortgage-backed securities held by each fund as of March 31, 2004 (in thousands):

Single Family Program Fund	Interest Rate	Carrying Amount of Securities
Series A of 1991	7.6%	$ 192
Series A of 1995	6.4%	14,042
Series A&B of 1996	5.0-6.75%	16,441
Series A,B&C of 1997	4.8-6.6%	18,687
Series A&B of 1998	4.4-6.29%	22,240
Series A&B of 1999	5.1-7.1%	18,069
Series A,B1&B2 of 2000	5.2-7.3%	20,722
Series A&B of 2001	4.4%	17,596
MRCMO of 2002	6.0-7.5%	5,480
Series A of 2003	3.9-5.4%	6,661
Taxable GNMA Series of 2003	7.7-8.5%	18,801
Total		$ 158,931

In addition, the Unrestricted Fund had mortgage-backed securities totaling $1,361,000 at March 31, 2004.

6. MORTGAGE LOANS RECEIVABLE

Mortgage loans have scheduled maturities of 30 years and are collateralized by first mortgages on the related property. The loans are serviced by certain designated loan servicers, who receive compensation for services rendered. The loans have stated interest rates as follows:

	Interest Rate
Unrestricted Fund	8.25%
Series A of 1985	10.75%
Series A of 1993	8.95%
Series A of 1994	10.95%

During the year ended March 31, 2002, certain of the loans held by the Unrestricted Fund were transferred from the MRCMO Issue of 1991 at a discount. The remaining unamortized discount amounted to approximately $320,000 at March 31, 2004 and is being accreted into interest income on the interest method.

In addition to the customary insurance required of the mortgagors, the mortgage loans, except those held by the Unrestricted Fund, are insured by the Authority under special hazard policies and mortgage pool insurance policies. The pool insurance policies provide coverage on the full amount of loss incurred as a result of default in payments by a mortgagor, subject to certain limitations and aggregate loss limits. Properties acquired due to foreclosure, together with related interest earnings guaranteed by insurance companies, are not significant and are included in other loans in the accompanying balance sheets.

The Authority has established an allowance for doubtful receivables for the NOHMA Development Corporation and the Unrestricted Fund's loans aggregating $191,000 as of March 31, 2004. The determination of the allowance was based on, among other things, an analysis of the unpaid balance of loans in default as compared to the estimated value of the related real estate and anticipated costs of disposal.

Due to delays in commencement and completion of the foreclosure process for specific loans and certain other uninsured losses, the Authority has established allowances for losses on real estate owned and doubtful interest receivable for other single family issues with mortgage loans receivable as of March 31, 2004. The determination of these allowances was based on an analysis of the balances of loans in foreclosure and real estate owned and other receivables as compared to estimated values of related real estate and estimated future receipts from loan insurers.

The Unrestricted Fund and NOHMA Development Corporation have an aggregate of approximately $600,000 of PRIDE loans which provide the borrower with funds to pay their closing costs and are subordinate to the first mortgages. The loans generally do not accrue interest if paid within ten years. The Authority has provided an allowance on these loans based upon its review of activity to date and its estimate of the amount necessary to absorb existing losses.

7. CAPITAL ASSETS

Changes in capital assets are as follows (in thousands):

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
COST				
Willows:				
Land	$ -	$ 800	$ -	800
Buildings and equipment		3,983		3,983
Office:				
Land	150			150
Building	104			104
Equipment	190	2		192
Total cost	444	4,785		5,229
ACCUMULATED DEPRECIATION				
Willows:				
Buildings and equipment		78		78
Office:				
Building	38	5		43
Equipment	171	4		175
Total accumulated depreciation	209	87		296
Capital assets—net	$ 235	$ 4,698	$ -	$ 4,933

8. BONDS PAYABLE

The following is a summary of the outstanding bonds payable and transactions of the Authority as of and for the year ended March 31, 2004 (in thousands):

	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2003	Bonds Issued	Bonds Retired	Outstanding March 31, 2004
Single Family							
1985 Series A Issue:							
Compound interest serial bonds	$ 4,799	9.75-10.9%	Redeemed	$ -	$ -	$ -	$ -
Compound interest term bonds	1,434	11%	9-15-16	195		66	129
Total	$ 6,233			195		66	129
1988 Series A Issue:							
Serial bonds	$ 1,970	6.0-7.9%	12-1-00				
Term bonds	7,825	8.40%	12-1-14	195		195	
Term bonds	9,275	8.60%	12-1-19	7,065		7,065	
Total	$ 19,070			7,260		7,260	
1988 Series B-1 Issue:							
Term bonds	$ 27,200	8.0-8.25%	12-1-21	5,505		5,505	
1988 Series C-1 Issue:							
Term bonds	$ 26,000	7.55-7.75%	12-1-22	9,282		9,282	
1991 MRCMO:							
A-3	$ 13,915	7.5%	9-15-09				
A-4	800	7.5%	3-15-10				
A-5	1,500	9.145%	9-15-14	1,500			1,500
Total	$ 16,215			1,500			1,500
Refunding Series of 1992:							
Serial bonds	$ 11,350	5.0-6.0%	7-15-02				
Term bonds	51,445	6.25%	1-15-11	51,305		300	51,005
Total	$ 62,795			51,305		300	51,005

(Continued)

	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2003	Bonds Issued	Bonds Retired	Outstanding March 31, 2004
1993 Series A Issue:							
Term bonds	$ 6,690	7.0%	5-1-14	1,455		705	750
Term bonds	80	7.0%	5-1-14	80			80
Total	$ 6,770			1,535		705	830
1994 Series A Issue:							
Term bonds	$ 3,143	9.32%	10-1-15	199		199	
1995 Series A Issue:							
Serial bonds	$ 5,935	4.2-5.5%	12-1-10	2,665		935	1,730
Term bonds	2,415	6.2%	6-1-15	2,370		600	1,770
Term bonds	5,000	6.25%	6-1-22	4,890		1,210	3,680
Term bonds	6,900	5.65%	6-1-26				
Term bonds	8,750	6.3%	6-1-28	8,595		2,165	6,430
Total	$ 29,000			18,520		4,910	13,610
1996 Series A&B Issue:							
Serial bonds	$ 6,565	4.33-5.7%	12-1-10	3,485		1,370	2,115
Term bonds	3,900	6%	12-1-31	3,825		835	2,990
Term bonds	9,860	6.1%	12-1-29	9,675		2,110	7,565
Term bonds	1,595	5.75%	12-1-16	1,565		345	1,220
Term bonds	5,470	5.35%	12-1-20				
Term bonds	2,505	5.9%	12-1-26	2,460		535	1,925
Total	$ 29,895			21,010		5,195	15,815
1997 A, B, & C Issue:							
Serial bonds	$ 4,134	4.2-5%	12-1-08	2,140		735	1,405
Term bonds	3,800	5.75%	12-1-23	3,800		105	3,695
Term bonds	9,980	5.85%	12-1-30	9,980		270	9,710
Term bonds	2,755	5.45%	12-1-16	2,755		75	2,680
Term bonds	8,330	5.13%	12-1-20	3,375		3,375	
Tender bonds	19,775	3.92%	12-1-18				
Total	$ 48,774			22,050		4,560	17,490
1998 Series A&B Issue:							
Serial bonds	$ 4,605	3.8-4.8%	12-1-12	3,235		755	2,480
Term bonds	960	4.9%	12-1-16	960			960
Term bonds	2,550	4.5%	6-1-21	2,035		1,030	1,005
Term bonds	6,570	5.2%	12-1-21	6,570			6,570
Term bonds	6,450	4.5%	6-1-30	4,790		2,425	2,365
Term bonds	6,470	5.25%	6-1-31	6,470			6,470
Term bonds	2,670	5.125%	12-1-31	2,670			2,670
Total	$ 30,275			26,730		4,210	22,520

(Continued)

	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2003	Bonds Issued	Bonds Retired	Outstanding March 31, 2004
1999 A&B Series:							
Serial bonds	$ 5,455	4.6-5.5%	12-1-09	4,620		1,690	2,930
Term bonds	4,005	5.9%	12-1-13	3,595		1,005	2,590
Term bonds	2,365	6.0%	12-1-18	2,365		60	2,305
Term bonds	3,430	5.5%	12-1-20	1,965		1,965	
Term bonds	6,535	6.15%	12-1-22	6,535		160	6,375
Term bonds	5,465	5.5%	6-1-32	3,135		3,135	
Compound interest term bonds	1,359	6.57%	12-1-31	1,359		33	1,326
Compound interest term bonds	1,386	6.57%	6-1-32	1,386		42	1,344
Total	$ 30,000			24,960		8,090	16,870
2000 A,B-1&B-2 Series							
Serial bonds	$ 5,775	4.75-5.55%	12-1-12	5,165		1,960	3,205
Term bonds	23,000	5.55%	12-1-32	20,860		4,465	16,395
Compound interest							
Term bonds	1,224	6.10%	12-1-31	1,204			1,204
Tender bonds	10,000	4.45%	6-1-34				
Total	$ 39,999			27,229		6,425	20,804
2001 A&B Series:							
Serial bonds	$ 4,810	3.10-5.30%	12-1-12	3,680		350	3,330
Term bonds	1,805	5.25%	6-1-20	1,380			1,380
Term bonds	1,825	5.30%	6-1-23	1,395			1,395
Term bonds	4,180	5.35%	12-1-28	3,195			3,195
Term bonds	5,000	4.25%	6-1-33	3,825		1,055	2,770
Term bonds	5,820	5.375%	6-1-34	4,450			4,450
Compound interest serial bonds	1,304	5.00-5.30%	12-1-16	999			999
Compound interest term bonds	255	5.75%	12-1-32	195			195
Tender bonds	15,060	2.30%	6-1-35				
Total	$ 40,059			19,119		1,405	17,714
Refunding Series of 2002	$ 50,661	Variable		50,661		50,661	
2002 MRCMO:							
Term bonds	$ 5,785	4.27%	6-1-09	3,960		1,980	1,980
Term bonds	3,100	6.53%	12-1-16	3,100			3,100
Total	$ 8,885			7,060		1,980	5,080
2002C	$ 25,000	Variable	6-1-06	25,000		3,443	21,557
2003 A Series:							
Serial bonds	1,825	1.75-3.98%	12-1-12		1,825		1,825
Serial bonds	1,295	3.75-4.05%	12-1-16		1,295		1,295
Term bonds	3,045	4.75%	12-1-23		3,045		3,045
Term bonds	8,400	5.00%	12-1-33		8,400		8,400
Term bonds	6,435	4.95%	12-1-34		6,435		6,435
Total	$ 21,000				21,000		21,000

(Continued)

	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2003	Bonds Issued	Bonds Retired	Outstanding March 31, 2004
Taxable GNMA Series A of 2003	$ 19,175	4.82%	11-15-21		19,175	2,150	17,025
Single Family Bonds of 2003	$ 59,076	Variable	9-1-06		59,076		59,076
				319,120	99,251	116,346	302,025
Unamortized discount on 1991 MRCMO				(973)		(50)	(923)
Unamortized discount on Refunding Series of 1992				(449)		(60)	(389)
Unamortized premium on 1993 Series A bonds				80		42	38
Unamortized premium on 2003 Series A bonds					543	10	533
Total				$ 317,778	$ 99,794	$ 116,288	$301,284

(Concluded)

Additional information pertaining to the foregoing bonds is as follows:

SINGLE FAMILY

All the single family bonds issued are secured by and payable solely from bond proceeds, revenues and other amounts derived by the Authority from the mortgage loans and other assets acquired with the bond proceeds and from certain reserve funds.

1985 Series A Issue

The compound interest term bonds bear interest at the rate of 11.0% per annum, payable at maturity or upon redemption. Compounded amounts corresponding to the principal amounts ranging from $52,000 to $121,000 (plus interest) are required as sinking fund redemptions on March 15 and September 15 of each year from the year 2008 through September 15, 2016. The bonds are also subject to mandatory redemption under certain conditions.

1988 A, B-1 and C-1 Issues

The bonds of these issues were paid off in 2004 with proceeds from the Taxable GNMA Series A of 2003 bond issue. The remaining GNMA securities were transferred to the Taxable GNMA Series A of 2003 program and the remaining net assets were transferred to the Unrestricted Funds.

MRCMO of 1991

These obligations are secured by and payable solely from bond proceeds and investment earnings thereon. Interest on these obligations is taxable to the holders of the obligations. The obligations are segregated into five bond classes, which are payable sequentially as the related mortgage loans pay down. Bond classes A-1, A-2, A-3 and A-4 were retired in prior years. Class A-5 represents zero coupon bonds upon which interest is payable at maturity; the related obligations were priced to yield approximately 9.15%.

Refunding Series of 1992

As a result of prior year restructuring transactions, these bonds are secured by a portfolio of U. S. Government Agency securities, the maturity dates and amounts of which coincide with debt service requirements on the bonds. As of March 31, 2004, the serial bonds were fully retired.

The term bonds require sinking fund redemptions to be made semi-annually on January 15 and July 15 through 2010 in amounts ranging from $140,000 to $230,000 with the unpaid balance of $48,530,000 due January 15, 2011. These bonds are not subject to redemption prior to their stated maturity.

1993 Series A Issue

Interest on the bonds is payable semi-annually on May 1 and November 1. The bonds require sinking fund redemptions to be made on May 1 and November 1 of each year through 2014 in amounts ranging from $60,000 to $315,000. All bonds are subject to redemption at the option of the issuer on or after November 1, 2003.

1994 Series A Issue

The bonds of this issue were paid of in 2004.

1995 Series A Issue

During 1995, the Authority issued $29,000,000 of Single Family Mortgage Revenue Bonds Series 1995A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $300,000 to $535,000 through December 1, 2010.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2009 through 2028 in amounts ranging from $115,000 to $1,130,000. These bonds are subject to redemption at the option of the issuer at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

In 1996 the Authority received a $350,000 grant to pay for a portion of the bond issuance costs which amount was used to reduce bond issuance costs shown in the balance sheet.

1996 Series A&B Issue

During 1996, the Authority issued $29,895,000 of Single Family Mortgage Revenue Bonds Series 1996 A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $410,000 to $720,000 through December 1, 2010.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2011 through 2029 in amounts ranging from $380,000 to $975,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2006 at redemption prices ranging from 102% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

In 1998, the Authority received a $350,000 grant to pay for a portion of the bond issuance costs which amount was used to reduce bond issuance costs shown in the balance sheet.

1997 Series AB&C Issue

During 1997, the Authority issued $48,774,000 of Single Family Mortgage Revenue Bonds 1997 Series AB&C. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $330,000 to $450,000 through December 1, 2008.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2009 through 2030 in amounts ranging from $310,000 to $1,060,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2007 at a redemption price of 102% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

1998 Series A & B Issue

During 1998, the Authority issued $25,587,000 of Single Family Mortgage Revenue Bonds 1998 Series A&B and acquired $4,688,000 of Single Family Mortgage Revenue Bonds from the 1997 Refunding Series for a grand total of $30,275,000. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $285,000 to $400,000 through December 1, 2012.

The term bonds require sinking fund redemptions to be made beginning December 1, 2011 and then June 1 and December 1 of each year from the year 2012 through 2031 in amounts ranging from $175,000 to $905,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2008 at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

1999 Series A & B Issue

During 1999, the Authority issued $30,000,000 of Single Family Mortgage Revenue Bonds 1999 Series A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $360,000 to $855,000 through December 1, 2009.

The term bonds require sinking fund redemptions to be made beginning December 1, 2011 and then June 1 and December 1 of each year from the year 2013 through 2032 in amounts ranging from $165,000 to $1,095,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2009 at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest term bonds are due at their stated maturity including interest from date of issuance.

2000 Series A, B1 & B2 Issue

During 2000, the Authority issued $39,999,999 of Single Family Mortgage Revenue Bonds 2000 Series A, B1&B2. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $440,000 to $745,000 through December 1, 2012.

The term bonds require sinking fund redemptions to be made beginning December 15, 2015 and then June 1 and December 1 of each year from the year 2016 through 2032 in amounts ranging from $430,000 to $1,110,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2009 at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest term bonds are due at their stated maturity including interest from date of issuance.

The tender bonds had a stated maturity of June 1, 2034 but were remarketed in April 2001.

2001 Series A&B Issue

During 2001, the Authority issued $40,059,000 of Single Family Mortgage Revenue Bonds 2001 Series A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $455,000 to $635,000 beginning December 1, 2004 through December 1, 2012.

The term bonds require sinking fund redemptions to be made beginning June 1, 2017 and then December 1 and June 1 of each year from the year 2017 through 2034 in amounts ranging from $680,000 to $2,320,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2010 at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest serial bonds mature annually in amounts ranging from $614,000 to $650,000 beginning June 1, 2013 through December 1, 2016.

The compound interest term bonds are due at their stated maturity of December 1, 2032 including interest from date of issuance.

The tender bonds had a stated maturity of June 1, 2035 but were remarketed in 2002.

Refunding Series of 2002

The bonds of this issue were paid off in 2004.

MRCMO of 2002

During 2002, the Authority issued $8,885,000 of Single Family Mortgage Revenue Bonds 2002 MRCMO. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

These bonds are subject to redemption at the option of the issuer at a redemption price of 100% of principal plus accrued interest whenever the amount of the original bonds issued has been reduced by 80%. These bonds are also subject to mandatory redemption under certain conditions.

2002 Series C

The Authority has $25,000,000 of bonds outstanding at March 31, 2004 with an interest rate which fluctuates based on an index. These bonds are subject to mandatory redemption no later than June 1, 2006.

2003 Series A Issue

During 2004, the Authority issued $21,000,000 of Single Family Mortgage Revenue Bonds 2003 Series A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from $165,000 to $350,000 beginning December 1, 2005 through December 1, 2016.

The term bonds require sinking fund redemptions to be made beginning June 1, 2005 and then December 1 and June 1 of each year from the year 2005 through 2034 in amounts ranging from $40,000 to $860,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2010 at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

2003 Series A Taxable GNMA Issue

During 2004, the Authority issued $19,175,000 of Taxable GNMA 2003A Bonds. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA.

The interest rates on the bonds varies monthly and is set using an auction rate system. At March 31, 2004, the rate was approximately __%. In connection with this issue the Authority entered into an interest rate swap agreement with Citibank, N.A., which effectively sets the rate at a fixed amount of 4.815%. The notional amount of the swap agreement decreases monthly based upon an assumed prepayment speed on the GNMA securities intended to approximate 100% of the prepayment model. The Authority has the option to reduce, without penalty, the notional amount of the swap based upon the actual prepayment speed of the GNMA securities. At March 31, 2004, the notional amount of the swap agreement approximated the amount of the bonds outstanding. The Authority is accounting for the swap agreement as a hedge.

The bonds are subject to repayment consistent with the repayments of the GNMA securities.

Single Family Bonds of 2003

The Authority has $59,076,000 of bonds outstanding at March 31, 2004 with an interest rate which fluctuates based on an index. These bonds are subject to mandatory redemption no later than January 1, 2006.

9. DEBT PAYMENT REQUIREMENTS

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 are as follows (in thousands):

	2005	2006	2007	2008	2009	Thereafter	Total
Single Family Program							
1985 Series A	$ -	$ -	$ -	$ -	$ -	$ 129	$ 129
1991 MRCMO						1,500	1,500
Refunding Series of 1992	320	340	360	385	405	49,195	51,005
1993 Series A						830	830
1995 Series A				310	535	12,765	13,610
1996 Series A&B				70	645	15,100	15,815
1997 A, B & C		55	450	450	450	16,085	17,490
1998 Series A&B			325	350	350	21,495	22,520
1999 A&B Series			505	765	805	14,795	16,870
2000 A, B-1 & B-2				130	135	20,539	20,804
2001 A&B Series				435	525	16,754	17,714
2002 MRCMO	490	520	560	600	640	2,270	5,080
2002 Series C	21,557						21,557
2003 A Series		245	285	305	315	19,850	21,000
Taxable GNMA Series A	1,200	1,300	1,400	1,500	1,600	10,025	17,025
Single Family Bonds of 2003			59,076				59,076
Total Single Family Program	23,567	2,460	62,961	5,300	6,405	201,332	302,025
Xavier University	600	620	645	670	700	31,765	35,000
Willows	120	130	3,064	-	-	-	3,314
	$ 24,287	$ 3,210	$ 66,670	$ 5,970	$ 7,105	$ 233,097	340,339
Adjustments for premiums and discounts							(936)
Total							$ 339,403

Scheduled interest payments are as follows (in thousands):

	2004	2005	2006	2007	2008	Thereafter	Total
Single Family Program							
1985 Series A	$ -	$ -	$ -	$ -	$ -	$ 3,601	$ 3,601
Refunding Series							
of 1992	3,130	3,160	3,130	3,110	3,090	4,630	20,250
1993 Series A	60	60	60	60	60	280	580
1995 Series A	820	820	820	810	780	7,830	11,880
1996 Series A	950	950	950	950	920	5,980	10,700
1997 A, B & C	875	870	860	840	815	8,130	12,390
1998 Series A	1,120	1,120	1,110	1,100	1,080	12,540	18,070
1999 A&B Series	795	795	780	740	700	22,740	26,550
2000 A, B-1 & B-2	1,170	1,170	1,170	1,160	1,150	16,980	22,800
2001 A&B Series	870	870	870	860	830	11,800	16,100
2002 MRCMO	290	260	220	190	160	220	1,340
2002 Series C	300						300
2003 A Series	990	980	970	950	940	15,110	19,940
Taxable GNMA							
Series A	790	730	670	600	520	1,290	4,600
Single Family Bonds							
of 2003	880	880	360				2,120
Total Single Family Program	13,040	12,665	11,970	11,370	11,045	111,131	171,221
Xavier University	1,770	1,740	1,700	1,670	1,640	23,180	31,700
Willows	120	130	70				320
Total	$ 14,930	$ 14,535	$ 13,740	$ 13,040	$ 12,685	$ 134,311	$ 203,241

10. CONTRACTS WITH THE CITY OF NEW ORLEANS

The Authority has entered into contracts with the City of New Orleans to provide administrative and other services on a cost reimbursement basis. Cash of $121,000 and the $200,000 discounted present value of loans relating to a government program has been included in cash and loans on the balance sheet of the Unrestricted Fund. An equivalent amount of $321,000 has been included in other liabilities as of March 31, 2004 since these assets are not available to the Authority for its general use.

In addition to the above, the Authority has also received certain grants in connection with certain of its programs which are discussed in Note 1.

11. OPERATING TRANSFERS

The Authority makes transfers between its various funds on a periodic basis. These transfers include the following:

1. Transfers from the Unrestricted Fund and other funds to finance the initial operations of new funds
2. Transfers of the net assets of funds that are liquidating to the Unrestricted Fund
3. Transfers from ongoing funds to the Unrestricted and Operating Funds to finance the Authority's ongoing operations.

12. PROCEEDS FROM PRIOR YEAR LOAN SALE

In 1992, the Authority sold certain loans to the Louisiana Public Facility Authority ("LPFA") for cash with additional consideration contingent upon the final collection of loan balances. In 2004, the LPFA liquidated this loan portfolio and provided the Authority with a portion of the residual amounting to $1,335,000 which amount was recognized as revenue in the Unrestricted Fund.

13. 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 March 31, 2004, the following amounts were paid to the Authority's Board members:

Board Member	
Joyce Glapion	$ 2,750
Gary M. Clark	3,550
Richard Chambers, Sr.	1,950
Stephen Daste	2,900
Belinda Little-Wood	2,800
Guy T. Williams	3,000
G. Wade Wootan	3,000
Total	$ 19,950

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

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Deloitte.

Bruno & Tervalon LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Trustees
The Finance Authority of New Orleans

We have audited the general purpose financial statements of The Finance Authority of New Orleans (the "Authority"), as of and for the year ended March 31, 2004, and have issued our report thereon date September 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Finance Authority of New Orleans' 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP   Bruno & Tervalon LLP

September 22, 2004