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Rapides Finance Authority

Annual Financial Report

For the Year Ended July 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the parish, or equivalent, entity and other appropriate public officials. This 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: FEB 18 2000

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ROZIER, HARRINGTON & MCKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

ROZIER, HARRINGTON & MCKAY, P.C.A.
1407 PETERMAN DRIVE, SUITE 100
ALEXANDRIA, LOUISIANA 71301
TEL: 504-325-4100
FAX: 504-325-4101

MEMBER ADDRESS
Box 10000, Room 1170
Alexandria, Louisiana 71301-0100
Tel: 504-325-4100
Telex: 504 325 4100

October 13, 1999

Independent Auditor's Report

To the Rapides Finance Authority
Alexandria, Louisiana

We have audited the accompanying general purpose financial statements of the Rapides Finance Authority, a component unit of the Rapides Parish Police Jury, as of July 31, 1999 and for the year then ended, as based on the tables of contents. Those general purpose financial statements are the responsibility of the Rapides Finance Authority's management. Our responsibility is to express an opinion on those general purpose financial statements based on our audit.

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

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Rapides Finance Authority, as of July 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in accordance with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 13, 1999, on our consideration of the Rapides Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of per share paid in kind is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Rapides Finance Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Affiliates:
American Institute of Certified Public Accountants & Society of Louisiana CPAs

RAPIDES FINANCE AUTHORITY

Balance Sheet

July 31, 1999

	<u>Proprietary Fund Type</u> <u>Enterprise Fund</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 1,914,960
Assets restricted by bond indenture:	
Cash and cash equivalents	534,000
Investments	14,583,643
Loans, net of allowance for loan losses of \$130,999	2,770,734
Other assets	<u>278,761</u>
Total assets	<u>\$ 19,880,103</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities:</u>	
Bonds payable, net of deferred financing cost of \$348,511	\$ 14,235,936
Accrued interest expense	<u>86,224</u>
Total liabilities	<u>14,322,160</u>
<u>Fund equity:</u>	
Retained earnings:	<u>5,557,943</u>
Total fund equity	<u>5,557,943</u>
Total liabilities and fund equity	<u>\$ 19,880,103</u>

The accompanying notes are an integral part of the financial statements.

RAPIDES FINANCE AUTHORITY

Statement of Revenue, Expenses and Changes in Retained Earnings

For the Year Ended July 31, 1999

	<u>Proprietary Fund Type</u> <u>Enterprise Fund</u>
Interest income:	
Interest on loans	\$ 203,573
Interest on deposits and investments	980,018
Total interest income	<u>1,183,591</u>
Interest expense:	
Interest on bonds payable	<u>1,050,018</u>
Net interest income	<u>145,493</u>
Provision for loan losses	<u>-</u>
Net interest income after provision for loan losses	<u>145,493</u>
Other expenses:	
Loan servicing fees	8,480
Bond trustee fees	13,083
Legal and professional	20,840
Economic development	8,671
Other	<u>28,364</u>
Total Other Expense	<u>79,438</u>
Net income (loss) before change in fair value of investments	<u>66,055</u>
Net increase (decrease) in fair value of investments	<u>(525,087)</u>
Net income (loss)	<u>(459,032)</u>
Retained earnings - beginning of year	<u>6,013,017</u>
Retained earnings - end of year	<u>\$ 5,553,985</u>

The accompanying notes are an integral part of the financial statements.

RAPIDES FINANCE AUTHORITY

Statement of Cash Flows For the Year Ended July 31, 1999

	<u>Proprietary Fund Type</u> <u>Enterprise Fund</u>
<u>Cash Flow from operating activities:</u>	
Net income (loss)	\$ (409,074)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest expense	1,050,018
Interest revenue from cash and investments	(989,038)
(Increase) Decrease in fair value of investments	525,087
(Increase) decrease in loans receivable	379,575
(Increase) decrease in other assets	(241,257)
Net cash provided (used) by operating activities	<u>365,411</u>
<u>Cash Flow from noncapital financing activities:</u>	
Interest on bonds payable	(629,577)
Disbursements of bond issue cost	(92,688)
Disbursements to redeem bonds	(787,245)
Net cash provided (used) by capital and related financing activities	<u>(1,429,489)</u>
<u>Cash Flows from investing activities:</u>	
Proceeds from maturity and redemptions of securities	354,139
Purchase of mortgage backed securities	(1,579,709)
Interest collected from cash and investment securities	728,073
Net change in investment contract	1,760,892
Net cash provided (used) by non-capital financing activities	<u>1,273,185</u>
Net increase (decrease) in cash	387,386
Beginning cash balance	2,141,669
Ending cash balance	2,448,955
Restricted cash balance	<u>324,009</u>
Unrestricted cash balance	<u>\$ 1,914,966</u>

Supplemental Disclosures:

For the year ended July 31, 1999, there were no investing, capital, and financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Rapides Finance Authority, formerly known as Rapides Parish Housing and Mortgage Finance Authority, was created through a trust instrument dated December 14, 1978. The Authority is organized as a Public Trust as defined by state law. Rapides Parish is the designated beneficiary of the trust.

Reporting Entity:

The Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the reporting entity to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Authority is a component unit of the Rapides Parish Police Jury. The accompanying component unit financial statements present information only on the funds maintained by the Authority and do not present information on the police jury, the general government services provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

Fund Accounting:

The Authority uses an enterprise fund to report its financial position, results of operations and cash flows. Enterprise funds are used to account for activities similar to those found in the commercial sector. Enterprise funds use the accrual basis of accounting which requires revenues to be recognized when earned and expenses are recognized when incurred.

The basis of accounting followed by enterprise funds is similar to accounting practices utilized by business enterprises. Due to these similarities, proprietary funds are allowed to follow certain provisions that are developed by the Financial Accounting Standards Board (FASB) for

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

business enterprises. However, the Authority only applies those FASB pronouncements that were issued on or before November 30, 1989.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contingent Accounting:

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as contingencies. Since contingencies do not represent liabilities or current expenditures, contingencies are not reported in the accompanying financial statements.

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

Statement of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

Deferred Financing Cost:

The Authority has incurred various financing costs including underwriting fees, trustee fees, various professional fees, and gains or losses on the refunding of certain debts in connection with issuing bonds. In accordance with generally accepted accounting standards, recognition of these costs has been deferred and amortized over the expected life of the applicable bond issue. The annual amortization reported as a component of the Authority's interest expense. Amortization is computed using methods that are intended to approximate recognition of a constant rate of interest expense.

Investments:

The Authority is authorized by state law and its trust indenture to acquire certain investment securities including obligations of the United States or its agencies. Investments are reported at fair value based on quotes provided by the Authority's bond trustee.

Certain investment contracts held by the Authority are not negotiable and the value of these contracts is not affected by financial markets. Accordingly, these investment contracts are reported at cost.

NOTE 2 – CASH AND EQUIVALENTS:

Cash on deposits and cash equivalents at July 31, 1999 consisted of the following amounts:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

	Cash on Deposit	Cash Equivalents	Total
Deposits held by the Authority's local fiscal agent	\$ 1,675,489	\$ ---	\$ 1,675,489
Deposits held by Rapides Parish Police Jury's fiscal agent in the Police Jury's bank account	239,477	---	239,477
Deposits held by the bond trustees	72,484	---	72,484
Highly liquid short-term investments administered by the bond trustees	---	461,525	461,525
Total Cash and Cash Equivalents	1,987,450	461,525	2,448,975
Restricted Cash and Cash Equivalents	72,484	461,525	534,009
Unrestricted Cash and Cash Equivalents	\$ 1,914,966	\$ ---	\$ 1,914,966

Cash on deposit is secured by \$100,000 in FDIC coverage and the remainder of the deposits are uncollateralized. The cash equivalents are considered unsecured and unregistered securities held in the Authority's name.

NOTE J – INVESTMENT SECURITIES:

All of the Rapides Finance Authority's investment securities are subject to restrictions imposed by various bond indentures. Furthermore, these investment securities are held in trust accounts established pursuant to the bond indentures. Totals for each bond indenture are presented as follows:

Series 1998 Bond Indenture	\$ 7,868,791
Series 1991 Bond Indenture	8,514,852
Total Investments	\$ 16,383,643

A description of each investment security portfolio is presented as follows:

Series 1998 Bond Indenture:

Proceeds from the Series 1998 bond issue are used to create a market for single family home mortgages attributable to first time home buyers residing within Rapides Parish. This is accomplished by using the proceeds to purchase securities that are backed by pools of qualifying mortgages. The Mortgage Backed Securities (MBS) acquired as a result of this program are guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA). Furthermore, the MBS are considered unsecured and unregistered securities held in the Authority's name.

In addition to the acquisition of MBS, the terms of the series 1998 bond indenture also authorize the trustee to temporarily invest funds with FOC Capital Market Services Inc. (FOC). Under the terms

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

of the investment contract with PGIC amounts invested must be secured by collateral consisting of cash, securities guaranteed by the United States Government, securities issued by certain United States Government Agencies or debt obligations have a rating in the highest category from Moody's and S&P. The collateral is held by an agent mutually agreed upon by PGIC and the trustee. Furthermore, the investments contracts are guaranteed by General Electric Capital Corporation, a New York Corporation. Since these investments are not evidenced by securities that exist in physical or book entry form, the investments are not subject to classification by credit risk categories as defined by the Governmental Accounting Standards Board.

Investments held in the Series 1998 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA. These bonds pay interest monthly based on an annual rate of 5.1%. The bonds are scheduled to mature in 2026; however, actual repayment will be based on the payment history associated with underlying pools of single family home mortgages.	\$ 1,577,531
PROGRAM INVESTMENT CONTRACT - The trustee is allowed to invest up to \$8,004,000 earning interest at a rate of 5.99%. Interest is payable in semi-annual installments due on June 1 st and December 1 st of each year. The contract terminates July 1, 2003; however, the trustee may withdraw funds as needed on or after December 1, 1998.	6,268,649
FLOAT INVESTMENT CONTRACT - The trustee is allowed to invest up to \$9,800,000 earning interest at a rate of 5.26%. Interest is payable in semi-annual installments due on June 1 st and December 1 st of each year. The contract terminates December 1, 2016; however, the trustee may withdraw funds on demand prior to termination.	22,600
Total investments, Series 1998 trust indenture	\$ 7,868,780

Series 1991 Bond Indenture:

Terms of the series 1991 bond indenture require amounts held by the trustee to be "continuously and fully secured for the benefit of the issuer and the owners of the bonds by investment thereof in investment securities." Investment securities acquired under this provision are considered to be unsecured and unregistered securities held in the Authority's name. Investment securities held by the trustee are presented as follows:

A "zero coupon" bond guaranteed by the Federal National Mortgage Association ("FNMA"). This bond does not pay interest prior to maturity and it is scheduled to mature at its face value of \$3,319,794 on July 5, 2014. The Authority has pledged this bond to secure its Series 1991A bond issue.	\$ 3,319,794
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RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

A "zero coupon" bond guaranteed by FNMA. This bond does not pay interest prior to maturity and it is scheduled to mature at its face value of \$7,345,000 on July 1, 2014. The Authority has pledged this bond to secure its Series 1991B bond issue. 2,879,231

Mortgage backed securities guaranteed by FNMA. These bonds pay interest monthly based on an annual rate of 7.5%. The bonds feature a stated maturity date of December 1, 2010; however, actual repayments is based on the payment history resulting from mortgage loans acquired by FNMA with proceeds from the issue of these securities. The Authority has pledged these mortgage backed securities to secure its Series 1991A bond issue. 2,279,000

Striped United States Treasury securities with contractual maturities described as follows:

Maturing after one through five years with a face value of \$20,000	17,098
Maturing after five through ten years with a face value of \$70,000	21,447
Maturing after ten years with a face value of \$8,000	4,200

Total Investments, Series 1991 Trust Indenture: **\$ 4,314,852**

NOTE 4 - LOANS RECEIVABLE:

The Authority engages in a variety of lending activities which are intended to benefit Rapides Parish. Loans receivable as July 31, 1999 are summarized as follows:

Residential mortgage loans secured by a first mortgage on the borrower's principal residence. The loans were originated through conventional, Federal Housing Administration (FHA) and Veterans Administration (VA) programs. Each loan earns interest at a rate of 8.125% with an original maturity of thirty years; however, borrowers are allowed to repay all or a portion of the outstanding balance prior to maturity. Payments are collected by servicing agents appointed by the authority in exchange for compensation that is based on the unpaid principal balance. In addition to the guarantees provided by various FHA and VA programs, the Authority has purchased supplemental insurance that provides limited coverage in the event of a default. \$ 882,476

Loans to various local governmental units. These loans feature original maturity of ten years with interest ranging from 4.75% to 6.5%. 1,747,060

Loan to a nonprofit health care provider originated on September 27, 1996 in the amount of \$150,000. This loan is payable in 60 monthly installments of \$3,191 including interest computed at a rate of 10%. The loan is currently in default.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

however, a judgment against the health care provider has been rendered in favor of the Rapides Finance Authority. At the present time, the value of the judgment is unknown.

	130,999
Loans to commercial enterprises with original maturities ranging from five to eight years, payable in monthly installments with interest computed at a rate of 11.5%. The loans are secured by the borrower's corporate assets including accounts receivable, inventory and equipment. Further security is provided by guarantees from various stockholders and certain personal property pledged by stockholders.	341,182
Total loans	2,901,723
Reserve for loan losses	(130,999)
Loans net of reserve for loan losses	\$ 2,770,724

As described above, the Authority has provided a loan for a nonprofit health care provider. Due to past experience with this loan and since value of a judgment rendered in favor of the Rapides Finance Authority is currently unknown, it was necessary to establish a reserve for potential losses. Changes in the allowance for loan losses are presented as follows:

Balance at beginning of year	\$ 130,999
Provision charged to operating expense	---
Loans charged off	---
Recoveries on previously charged off loans	---
<u>Balance at end of year</u>	<u>\$ 130,999</u>

NOTE 5 - LONG-TERM DEBT:

Long-term debt at July 31, 1999 is summarized as follows:

Series 1998 Bonds	\$ 7,812,827
Series 1991 Bonds	6,622,189
<u>Total Long-term Debt</u>	<u>\$ 14,435,016</u>

Series 1998 Bonds:

Series 1998 consists of the following bonds dated July 13, 1998. At July 31, 1999, series 1991 debt consisted of the following balances:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Series 1998 Bonds	
Class A	\$ 4,700,000
Class A (Super Sinkers)	2,300,000
Class B	800,000
Deferred Financing Cost	(187,173)
Total	\$ 7,612,827

To a large extent, maturity of the amounts presented above is influenced by the collection of various mortgage loans and mortgage backed securities. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate. A description of each security included in the Series 1998 issue is presented as follows:

Class A - Revenue Bonds with a par value of \$4,700,000. Interest is based on a rate of 3.45%, interest is payable in semi-annual installments due of June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning June 1, 2019 with the final installment due December 1, 2026; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class A (Super Sinkers) - Revenue Bonds with a par value of \$2,300,000. Interest is based on a rate of 4.05%, interest is payable in semi-annual installments due of June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning June 1, 2020 with the final installment due December 1, 2028; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class B - Revenue Bonds with a par value of \$800,000. Interest is based on a rate of 5.35%, interest is payable in semi-annual installments due of June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning December 1, 2024 with the final installment due June 1, 2028; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Security for the Series 1998 bonds consists of bond proceeds held by a trustee for the purpose of acquiring mortgage backed securities pursuant to the Rapides Finance Authority's Home Mortgage Loan Program. Mortgage backed securities acquired pursuant to the Program will also serve as security for the Series 1998 bonds. The mortgage backed securities will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association.

The Series 1998 bonds are limited and special obligations of the Rapides Finance Authority. These obligations are payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this restriction are provided by redemption provisions that are described as follows:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Mandatory Redemption:

From Pledged Revenues - Partial mandatory redemption is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principal payments. Furthermore, complete redemption is required whenever excess pledged revenue is sufficient to repay all outstanding bonds and any accrued interest. Collection of excess pledged revenue is expected as a result of prepayment from mortgage backed securities acquired in connection with the Program.

From Unexpended Proceeds - The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by August 1, 2000. This redemption date may be extended under certain circumstances, however, it may not be extended beyond December 1, 2001.

Optional Redemption:

At the Authority's option, the bonds may be redeemed on or after June 1, 2008 from any available source of funds. An optional redemption may be in whole or in part. Redemption prices expressed as a percentage of par value are presented as follows:

<u>Dates:</u>	<u>Redemption Price</u>
June 1, 2008 through November 30, 2008	102%
December 1, 2008 through May 31, 2009	101%
June 1, 2009 and thereafter	100%

Series 1991 Bonds:

Series 1991 debt consist of various bonds issued on December 09, 1991. At July 31, 1999, series 1991 debt consisted of the following balance:

<u>Series 1991 Bonds:</u>	
Class A-1	\$ 501,665
Class A-2	1,683,334
Class A-3	114,316
Class B-1	856,026
Class B-2	110,497
Class C	3,518,608
Deferred Financing Cost	(181,357)
<u>Total</u>	<u>\$ 6,623,099</u>

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

To a large extent, maturity of the amounts presented above is influenced by the collection of various mortgage loans and mortgage backed securities. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate. A description of each security included on the Series 1991A issue is presented as follows:

Taxable Refunding Bonds Series 1991A - This bond issue is secured by various Mortgage Backed Securities (MBS) issued by the Federal National Mortgage Association ("FNMA"). The bonds are also secured by a \$3,555,000 face amount FNMA "zero coupon" security with a maturity date of July 5, 2014. See the accompanying disclosure for "Investments" for further information regarding the securities pledged to these bonds.

The Series 1991A are limited obligations of the Rapides Finance Authority and are payable solely from revenues and other amounts derived by the Authority from the MBS issued by FNMA. This issue includes three classes of bonds that are described as follows:

Class A-1 - Revenue bonds with a par value of \$4,200,000 issued December 19, 1991 at 108.503% of the par value. Interest is payable on the first day of each month based on a rate of 7.5% per annum. The bonds have a stated maturity date of November 1, 2011; however, this assumes that no prepayments will occur. Actual principal payments are influenced by the rate at which principal on the MBS is collected. Principal payments are due on each interest payment date and are paid from funds remaining after payment of interest due on the series 1991A bonds. The Rapides Finance Authority may redeem these bonds at any time after December 1, 2001 at a redemption price equal to 100% of the unpaid principal amount.

Class A-2 - Revenue bonds with a par value of \$1,800,000 issued December 19, 1991 at 89.897% of the par value. Interest is payable on the first day of each month based on a rate of 7.5% per annum. The bonds have a stated maturity date of November 1, 2011; however, this assumes that no prepayments will occur. Actual principal payments are influenced by the rate at which principal on the MBS is collected. Principal payments are scheduled to begin when the Class A-1 bonds are paid in full. These payments will be due on each interest payment date and are paid from funds remaining after payment of interest due on the series 1991A bonds. The Rapides Finance Authority may redeem these bonds at any time after December 1, 2001 at a redemption price equal to 100% of the unpaid principal amount.

Class A-3 - Revenue bonds with a par value of \$400,000 issued December 19, 1991 at 113.725% of the par value. These bonds finance no payment of principal or interest prior to maturity. The bonds are scheduled to mature at par value on July 10, 2014 and are not subject to redemption prior to maturity.

Taxable Refunding Bonds Series 1991B - This bond issue is secured by a portfolio of loans referred to as "THE SERIES B MORTGAGE LOANS". The Series B Mortgage Loans earn interest at a rate of 8.125% and are secured by a first mortgage on the borrower's residence. In addition, the

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Series B loans are covered by a mortgage insurance policy that provides limited coverage against default.

The bonds are also secured by cash on deposit in the amount of \$285,000 held in an account referred to as the "LIQUIDITY RESERVE". Further security is provided by a \$7,745,000 face amount FNMA "zero coupon" security with a maturity date of July 5, 2014. See the accompanying disclosure for "Investments" for further information regarding investment securities pledged to these bonds.

The Series 1991B are limited obligations of the Rapides Finance Authority and are payable solely from funds provided by the Series B Mortgage Loans and contain additional security described above. This issue includes two classes of bonds that are described as follows:

Class B-1 - Revenue bonds with a par value of \$1,378,000 issued December 19, 1991 at 94.813% of the par value. Interest is payable on the first day of each month based on a rate of 7.777% per annum. The bonds have a stated maturity date of November 1, 2011; however, this assumes that no prepayments will occur. Actual principal payments are influenced by the rate at which principal on the Series B Mortgage Loans is collected. Principal payments are due on each interest payment date and are paid from funds remaining after payment of interest, tax and certain fees. The Rapides Finance Authority may redeem these bonds at any time after December 1, 2001 at a redemption price equal to 100% of the unpaid principal amount.

Class B-2 - Revenue bonds with a par value of \$408,000 issued December 19, 1991 at 85.009% of the par value. These bonds feature no payment of principal or interest prior to maturity. The bonds are scheduled to mature at par value on July 10, 2014 and are not subject to redemption prior to maturity.

Resident Revenue Capital Appreciation Bonding Bonds Series 1991C - Revenue bonds with a par value of \$10,380,000 dated January 21, 1992 and issued at approximately 10.1% of the par value. These bonds feature no payment of principal or interest prior to maturity. The bonds are scheduled to mature at par value on July 10, 2014. The Rapides Finance Authority may redeem these bonds at any time on or after January 1, 2002. Applicable redemption prices are presented as follows:

Redemption Period	Redemption Price
January 1, 2002 - December 31, 2002	101%
January 1, 2003 - December 31, 2003	102%
January 1, 2004 - December 31, 2004	101%
January 1, 2005 - December 31, 2005	100%

The Series 1991C are limited obligations of the Rapides Finance Authority and are payable solely from "residual revenue". The bond indenture defines residual revenue as follows:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

"Residual Revenue" means, collectively, all amounts received with respect to the MBS and all amounts received with respect to the Series B Mortgage Loans and all amounts held under the Series B Indenture (including amounts transferred to the Series B Trustee after payment in full of the Series A bonds) after payment in full of the all Series B bonds.

NOTE 4 – RISK MANAGEMENT:

The Authority is exposed to various risk of loss related to loss, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority insures against these risk described above by purchasing commercial insurance coverage. Settled claims resulting from these insured risk have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 7 – CONDUIT DEBT OBLIGATIONS:

The Authority has issued series 1996 bonds with a face value of \$2,700,000. Proceeds from these bonds were loaned to Louisiana College for the purpose of constructing, improving and furnishing certain facilities. Security for the loan is provided by an assignment of title and a mortgage on certain real property owned by Louisiana College.

The series 1996 bonds are limited and special revenue obligations of the Authority payable solely from funds collected as a result of the loan to Louisiana College. Furthermore, the bonds are not an obligation of the State, Parish or any political subdivision. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Scheduled maturities associated with these bonds are presented as follows:

<u>October 1,</u>	<u>Principal Amount</u>
1998	\$ 300,000
2000	180,000
2001	185,000
2002	195,000
2003	210,000
Thereafter	1,905,000
<u>Total</u>	<u>\$ 2,475,000</u>

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

1401 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

JOHN ROZIER, F.T.C.P.A.
M. BILLY HARRINGTON, C.P.A.
MARK A. MCKAY, C.P.A.
TAMMY E. MCKAY, C.P.A.
LORRY E. MCKAY, C.P.A.

ROZIER, HARRINGTON
& MCKAY, P.C.
ALEXANDRIA, LOUISIANA 71301-1916
TELEPHONE (504) 443-1600
TELEFAX (504) 443-1602

October 13, 1999

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT ACCOUNTING STANDARDS**

Rapides Finance Authority
Alexandria, Louisiana

We have audited the financial statements of the Rapides Finance Authority, as of and for the year ended July 31, 1999, and have issued our report thereon dated October 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

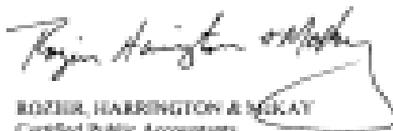
As part of obtaining reasonable assurance about whether the Rapides Finance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material 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 non-compliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Member
American Institute of Certified Public Accountants & Society of Accountants, CPAA

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

RAPIDES FINANCE AUTHORITY

Summary of Findings and Questioned Cost

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditor's Report on the financial statements for the Rapides Finance Authority as of July 31, 1999 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the primary government financial statements of the Rapides Finance Authority.
- The Rapides Finance Authority did not receive any Federal Awards; therefore, no reporting under OMB Circular A-133 was necessary.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- N/A

RAPIDES FINANCE AUTHORITY

Management's Corrective Action Plan

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
No findings were reported in the schedule of findings and questions card.	Response - N/A.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A - The Authority did not receive federal financial assistance.	Response - N/A.
SECTION III MANAGEMENT LETTER	
No findings were reported in the schedule of findings and questions card.	Response - N/A.

RAPIDES FINANCE AUTHORITY

Schedule of Prior Findings and Questioned Cost

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
No findings of the nature were reported as a result of the previous audit.	Response - N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings of the nature were reported as a result of the previous audit.	Response - N/A
SECTION III MANAGEMENT LETTER	
No findings of the nature were reported as a result of the previous audit.	Response - N/A

RAPIDES FINANCE AUTHORITY

Schedule of Per Diem Paid to Board Members***For the Year Ended July 31, 1999***

Harry Hines	\$ 3,600
David Butler	1,100
James Morgan	1,400
Garard Matoyer	1,200
Jack Desoit	1,300
Arno Wesley	1,200
David Bates	1,400
Morton Henderson	1,200
Jack Beane	1,000
Tom Nesh	1,300
Bobbie Clifton	1,300
Charles Johnson	1,200
Candy Christoph	<u>1,000</u>
Total	<u>\$ 18,400</u>