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Rapides Finance Authority
Annual Financial Report
For the Year Ended July 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 WUL 2 2 1998

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May 11, 1998

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, 1997 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Rapides Finance Authority's management. Our responsibility is to express an opinion on these 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. Those 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, 1997, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 11, 1998, 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 pay items paid to Board 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

RAPIDES FINANCE AUTHORITY

Balance Sheet**July 31, 1997**

	<u>Proprietary Fund Type</u> <u>Enterprise Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 2,190,928
Assets restricted by bond indentures:	
Cash and cash equivalents	432,579
Investments	5,918,197
Loans, net of allowance for loan losses of \$130,949	3,014,322
Accrued interest receivable	<u>38,566</u>
Total assets	<u>\$ 11,632,432</u>
 LIABILITIES AND FUND-EQUITY	
Liabilities:	
Bonds payable, net of deferred financing cost of \$122,678	\$ 7,208,355
Accrued interest expense	<u>37,835</u>
Total liabilities	<u>7,246,190</u>
 Fund equity:	
Retained earnings:	<u>4,404,342</u>
Total fund equity	<u>4,404,342</u>
Total liabilities and fund equity	<u>\$ 11,632,432</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, 1997*

	<u>Proprietary Fund Type</u> <u>Enterprise Fund</u>
Interest income:	
Interest on loans	\$ 343,717
Interest on deposits and investments	820,604
Total interest income	<u>863,321</u>
Interest expenses:	
Interest on bonds payable	<u>728,040</u>
Net interest income	134,281
Provision for loan losses	<u>133,999</u>
Net interest income after provision for loan losses	3,282
Other income	<u>3,000</u>
Other expenses:	
Mortgage servicing fees	8,262
Board trustee fees	10,527
Legal and professional	52,231
Economic development	39,979
Other	21,818
Total Other Expense	<u>132,817</u>
Net Income	<u>(174,111)</u>
Retained earnings - beginning of year:	
As originally stated	6,068,842
Prior period adjustment	<u>(1,533,499)</u>
As restated	<u>4,528,373</u>
Retained earnings - end of year	<u>\$ 4,354,262</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, 1997

Proprietary Fund Type
Enterprise Fund

Cash flow from operating activities:

Net income (loss)	\$ (124,131)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for loan losses	130,999
Interest expense	729,040
Interest revenue from cash and investments	(620,664)
(Increase) decrease in accrued interest receivable from loans	9,564
(Increase) decrease in prepaid insurance	786
(Increase) increase in accounts payable	(5,219)
Collection of loan principal	345,631
Disbursement of loan proceeds	(120,080)
Net cash provided (used) by operating activities	<u>116,087</u>

Cash flow from noncapital financing activities:

Interest on bonds payable	(377,678)
Disbursements to redeem bonds	(271,896)
Net cash provided (used) by capital and related financing activities	<u>(650,574)</u>

Cash flows from investing activities:

Proceeds from maturity of stripped US Treasury securities	10,000
Proceeds from redemption of mortgage backed securities	373,371
Interest collected from cash and investment securities	171,381
Net cash provided (used) by non-capital financing activities	<u>554,752</u>

Net increase (decrease) in cash (58,091)

Beginning cash balance 2,681,478

Ending cash balance \$ 2,623,487

Supplemental Disclosures:

For the year ended July 31, 1997, 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 ACCOUNT POLICIES:

The Rapides Finance Authority, formerly known as Rapides Parish Housing and Mortgage Finance Authority, was created through a trust indenture 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 service 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 pronouncements 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.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances 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

In connection with its 1990 bond issue, the Authority incurred various financing costs including underwriting fees, trustee fees, various professional fees, and gains or losses on the refunding of certain debt. In accordance with generally accepted accounting standards, recognition of these costs has been deferred. Based on the remaining life of bonds that were refunded in 1990, the Authority has elected to amortize these costs over a period of 8.5 years. 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 initially recorded at cost. Differences between the actual cost and the investments stated maturity value are referred to as discount or premium. Discount or premium associated with an investment is amortized over the life of the investment. Amortization is computed using the "interest method" which produces a constant rate of interest over the life of the investment.

NOTE 2 - CASH AND EQUIVALENTS

Cash on deposits and cash equivalents at July 31, 1997 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	\$ 1,933,299	\$ —	\$ 1,933,299
Deposits held by Rapides Parish Police Jury's fiscal agent in the Police Jury's bank account	235,629	—	235,629
Deposits held by the bond trustee	37,416	—	37,416
Highly liquid short-term investments administered by the bond trustee	—	385,100	385,100
Total Cash and Cash Equivalents	1,228,344	385,100	1,623,447
Restricted Cash and Cash Equivalents	37,416	385,100	422,516
Unrestricted Cash and Cash Equivalents	<u>\$ 1,190,928</u>	<u>\$ —</u>	<u>\$ 1,190,928</u>

Under state law, deposits must be secured by federal deposit insurance coverage (FDIC) or the pledge of securities owned by the fiscal agent bank. At July 31, 1997, cash on deposit is insured by FDIC coverage totaling \$137,416. The remain funds are secured by a securities pledged by the financial institution holding the deposits (GASB Category 3). Although the pledged securities are considered uncollateralized (GASB Category 3) state law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand.

Cash equivalents at July 31, 1997 consist entirely of shares in a money market mutual fund. Shares in the fund are reported at cost which approximates market. The funds shares price typically remains constant at \$1 per share.

NOTE J – INVESTMENTS SECURITIES

Terms of the 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 uninsured and unregistered securities held in the Authority's name. Investment securities held by the trustee are presented as follows:

	Carrying Amount	Market Value
A "zero coupon" bond issued by the Federal National Mortgage Association ("Fannie Mae"). This bond does not pay interest prior to maturity and it is scheduled to mature at its face value of \$1,555,000 on July 5, 2014. The Authority has pledged this bond to secure its Series 1991A bond issue.	\$ 845,082	\$ 1,033,717

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

	Carrying Amount	Market Value
A "zero coupon" bond issued by Fannie Mae. This bond does not pay interest prior to maturity and it is scheduled to mature at its face value of \$7,745,000 on July 5, 2014. The Authority has pledged this bond to secure its Series 1991B bond issue.	1,843,074	2,339,222
Mortgage backed securities issued by Fannie Mae. 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 repayment is based on the payment history resulting from mortgage loans acquired by Fannie Mae with proceeds from the issue of these securities. The Authority has pledged these mortgage backed securities to secure its Series 1991A bond issue.	1,285,342	1,245,608
Striped United States Treasury securities with contractual maturities described as follows:		
Maturing in one year or less with a face value of \$30,000	9,828	9,795
Maturing after one through five years with a face value of \$20,000	17,219	17,081
Maturing after five through ten years with a face value of \$25,000	<u>16,721</u>	<u>16,583</u>
Total Investment Securities	<u>\$3,608,152</u>	<u>\$3,670,416</u>

NOTE 4 - LOANS RECEIVABLE:

The Authority engages in a variety of lending activities which are intended to benefit Rapides Parish. Loans receivable at July 31, 1997 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 Administrations (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.	\$ 1,252,692
Loans to various local governmental units. These loans feature original maturity of ten years with interest ranging from 6.0% to 6.5%.	1,583,608

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Loan to a nonprofit health care provider originated on September 27, 1998 in amount of \$150,000. This loan is payable in 60 monthly installments of \$2,191 including interest computed at a rate of 10%. The loan is secured by certain accounts receivable, fixtures and equipment; however, the Authority's access to the collateral is subordinate to the rights of another lender.	150,000
Loan to a manufacturing concern originated on April 8, 1997 in the amount of \$200,000. The loan is payable in 60 installments of \$4,432 including interest computed at a rate of 11.5%. The loan is secured by all of 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 the stockholders.	196,420
Total loans	3,185,221
Reserve for loan losses	(130,889)
Loans net of reserve for loan losses	<u>\$ 3,054,332</u>

As described above, the Authority has provided a loan for a nonprofit health care provider. Due to poor experience with this loan and since the collateral is subordinate to the rights of another lender, it was necessary to establish a reserve for expected losses. Changes in the allowance for loan losses are presented as follows:

Balance at beginning of year	\$ ---
Provisions charged to operating expenses	130,889
Loans charged off	---
Recoveries on previously charged off loans	---
Balance at end of year	<u>\$ 130,889</u>

NOTE 3 - LONG-TERM DEBT:

Long-term debt consist of various bonds issued on December 18, 1991. At July 31, 1997, long-term debt consisted of the following amounts:

<u>Gross 1991 Bonds:</u>	
Class A-1	\$ 1,425,268
Class A-2	1,666,083
Class A-3	94,296
Class B-1	1,208,776

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Class B-2	90,671
Class C	3,018,508
Deferred Financing Cost	<u>(122,678)</u>
Total	<u>\$2,966,501</u>

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 issued by the Authority is presented as follows:

Variable Rate/Fixed Rate Bonds Series 1991A:

This bond issue is secured by various Mortgage Backed Securities (MBS) issued by the Federal National Mortgage Association ("Fannie Mae"). The bonds are also secured by a \$3,512,000 face amount Fannie Mae "zero coupon" security with a maturity date of July 2, 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 Fannie Mae. 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 100.502% of the par value. Interest is payable of 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 99.997% of the par value. Interest is payable of 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.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Class A-1 – Revenue bonds with a par value of \$400,000 issued December 10, 1991 at 13.752% 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.

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 borrowers residence. In addition, the 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 Fannie Mae “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 certain 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 \$1,170,000 issued December 19, 1991 at 94.815% of the par value. Interest is payable on the first day of each month based on a rate of 7.375% 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 due 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 \$400,000 issued December 10, 1991 at 13.605% 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.

Refunded Revenue Capital Appreciation Refunding Bonds Series 1991C:

Revenue bonds with a par value of \$10,500,000 dated January 21, 1992 and issued at approximately 19.3% 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:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

<u>Redemption Period</u>	<u>Redemption Price</u>
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:

"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 6 – RISK MANAGEMENT

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

NOTE 7 – PRIOR PERIOD ADJUSTMENT

During previous years the Authority has purchased certain investment securities at a discount. The Authority has also issued bonds during previous years at discounted amounts. Furthermore, the Authority has deferred recognition of certain costs associated with issuing bonds.

Generally accepted accounting principals applicable to governmental units require the discounts and deferred costs described in the preceding paragraph to be amortized in a manner that allows interest to be recognized at a constant rate. However, during previous years, the Authority has amortized certain amounts on a straight-line basis. In order to correct these errors, retained earnings have been adjusted as follows:

	7/31/96 Balance As Previously Reported Dr.(Cr)	7/31/98 Balance As Correctly Stated Dr.(Cr)	Prior Period Adjustment Dr.(Cr)
Investments	\$ 7,284,788	\$ 6,160,701	\$ 1,185,087
Bonds Payable	(7,099,272)	(7,804,202)	128,930
Deferred Bond Issue Cost	617,838	487,378	130,460
Prior Period Adjustment			\$ 1,512,868

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

NOTE 8 – 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 tuition 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:

October 1,	Principal Amount
1997	\$ 110,000
1998	115,000
1999	200,000
2000	180,000
2001	185,000
Thereafter	1,210,000
Total	\$2,700,000

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May 11, 1998

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING 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, 1997, and have issued our report thereon dated May 11, 1998. 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, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Corrective Action.

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.

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


ROGER HARRINGTON & MARK
Certified Public Accountants

RAPIDES FINANCE AUTHORITY

Summary of Findings and Questioned Cost

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements for the Rapides Finance Authority as of July 31, 1997 and for the year then ended expressed a qualified 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 Grant Parish Police Jury.
- 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:

- 1997-1 Due to difficulty experienced obtaining financial information from the Authority's bond trustee, the Authority's audit was not completed within the time allow by State law.

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.	
Finding 1997-1 Due to difficulty experienced obtaining financial information from the Authority's bond trustee, the Authority's audit was not completed within the time allow by State law.	Response - Management intends to instruct the bond trustee to send monthly financial reports directly to the Authority's independent auditor. Management is confident that the corrective action that has been implemented will prevent future problems regarding financial reporting.
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 cost.	Response - N/A

RAPIDES FINANCE AUTHORITY

***Schedule of Per Diem Paid to Board Members
For the Year Ended July 31, 1997***

Barry Hines	\$ 4,300
David Butler	1,600
James Morgan	1,300
Granvel Metoyer	1,600
Jack Dewitt	1,100
Frazier Bell	1,200
Amos Wasley	1,600
David Bates	1,300
Morton Henderson	1,300
Jack Brune	1,600
Tom Nash	1,000
Bobbie Clifton	1,000
Charles Johnson	<u>900</u>
 Total	 <u>\$ 19,400</u>