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Rapides Finance Authority

Annual Financial Report

For the Year Ended July 31, 2004

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September 9, 2004

Independent Auditors' Report

To the Rapides Finance Authority
Alexandria, Louisiana

We have audited the accompanying basic financial statements of the Rapides Finance Authority, a component unit of the Rapides Parish Police Jury, as of July 31, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Rapides Finance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 the Rapides Finance Authority, as of July 31, 2004, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated September 9, 2004, 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. 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.

The management's discussion and analysis listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the Rapides Finance Authority's basic financial statements. The accompanying schedule of per diem paid to Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rapides Finance Authority. The schedule of per diem paid to Board Members has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Rozier, Harrington & McKay

ROZIER, HARRINGTON & McKAY
Certified Public Accountants

Rapides Finance Authority

Management's Discussion And Analysis
July 31, 2004

This section of the Rapides Finance Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended July 31, 2004. This section should be read in conjunction with the financial statements that appear in the following section:

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the Authority's assets and all of the Authority's liabilities (including long-term debt). Expenses incurred in connection with the operation of the Authority's loan programs are reported as business-type activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

This portion of the management's discussion and analysis provides a comparative financial analysis.

Balance Sheet

A condensed version of the Authority's Balance Sheet is presented as follows:

	July 31, 2004	July 31, 2003
Assets:		
Current and Other Assets	$ 23,516,054	$ 18,766,548
Capital Assets	----	----
Total Assets	23,516,054	18,766,548
Liabilities:		
Current and Other Liabilities	17,850,873	12,813,102
Long-term Liabilities	----	----
Total Liabilities	17,850,873	12,813,102
Net Assets:		
Restricted	1,314,275	820,350
Unrestricted	4,350,906	5,133,096
Total Net Assets	$ 5,665,181	$ 5,953,446

At July 31, 2004, the Authority's assets exceed liabilities by $5,665,181. The authority does not own any property or equipment, accordingly it has reported no capital assets. A portion of the Authority's net assets (23.2%) are restricted for debt service. The remaining unrestricted net assets (76.8%) may be used to meet the Authority's ongoing obligations and conduct program activities.

Revenues, Expenses and Changes in Net Assets

A condensed version of the statement of revenues, expenses and changes in net assets is presented as follows:

	For the Year Ended July 31, 2004	For the Year Ended July 31, 2003
Operating Revenues	$ 672,804	$ 696,443
Operating Expenses	840,913	928,011
Operating Income (Loss)	(168,109)	(231,568)
Nonoperating Revenues (Expenses)		
Interest on deposits and investments	181,649	238,613
Economic development assistance	(100,000)	----
Net increase (decrease) in fair value of investment securities	(201,805)	(164,433)
Total Nonoperating Revenues (Expenses)	(120,156)	74,180
Net Income (Loss)	$ (288,265)	$ (157,388)

The operating loss is offset by interest on temporary investments. In accordance with the bond indenture, the Authority intends to avoid future operating losses by using proceeds from temporary investments in the following manner:

- Proceeds from temporary investments will be used to produce additional loans to first time home buyers. Interest resulting from these loans will provide additional operating income.
- Proceeds from temporary investments not needed to produce additional loans will be used to reduce debt that was issued to finance the first time home buyer program. Interest savings resulting from a reduction in debt will result in a corresponding reduction in operating expenses.

The Authority provides funds for producing loans to first time home buyers by acquiring securities that are backed by a portfolio of loans to first time home buyers. Accordingly, the Authority has a portfolio of mortgage backed securities and the fair market value of the mortgage backed security portfolio tends to fluctuate in response to market conditions. Recent decreases in the market value of mortgage backed securities has contributed to the net loss for the year ended July 31, 2004. However, changes in market value do not effect the financial stability of the first time home buyer program or the Authority's ability to meet its obligations.

In addition, the Authority has elected to use a portion of its surplus net assets to promote economic development by providing $100,000 to support an educational program that will provide trained employees for the nursery industry. This decision to utilize a portion of the Authority's surplus net assets has contributed to the Authority's operating loss for the year ended July 31, 2004.

CAPITAL ASSET ADMINISTRATION

The Authority's activities are limited to providing financing for worthwhile activities in Rapides Parish, including conducting programs for first time homebuyers. The Authority has not acquired any capital assets in connection with these activities.

DEBT ADMINISTRATION

For the year ended July 31, 2004, has issued Series 2003 Single Family Mortgage Revenue Bonds for the purpose of financing the origination of mortgage loans for first time home buyers. In addition, substantial payments were made on the Authority's existing debt as required by various bond indentures. Changes in the Authority's outstanding debt are presented as follows:

	Beginning Balance	New Borrowing	Debt Reduction	Ending Balance
Series 2003 Bonds	$ ----	$ 12,418,445	$ (2,629,796)	$ 9,788,649
Series 2001 Bonds	7,291,631	----	(2,845,696)	4,445,935
Series 1998 Bonds	5,406,126	----	(1,880,923)	3,525,203
Total	$ 12,697,757	$ 12,418,445	$ (7,356,415)	$ 17,759,787

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

Factors that are expected to have a significant effect on the Authority's future operations are described as follows:

- The Authority issued Series 2003 Mortgage Revenue Bonds. Proceeds from these bonds will provide funds to originate mortgage loans for first time home buyers at prevailing market rates.
- In order to enhance economic development, the Authority has committed to provide approximately $100,000 for worker training conducted by the LSU-A Technology Center.

RAPIDES FINANCE AUTHORITY

Balance Sheet

July 31, 2004

	Business-type Activities Enterprise Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	$ 2,603,770
Assets restricted by bond indenture:	
Cash and cash equivalents	359,230
Investments	18,805,918
Total Current Assets	21,768,918
Non Current Assets:	
Loans, net of allowance for loan losses of $204,789	1,306,584
Other assets	440,552
Total assets	$ 23,516,054
LIABILITIES AND NET ASSETS	
Current Liabilities Payable from Restricted Assets:	
Accrued interest expense	$ 91,086
Bonds payable, net of deferred financing cost of $274,341	17,759,787
Total liabilities	17,850,873
Net Assets	
Restricted for debt service	1,314,275
Unrestricted	4,350,906
Total net assets	5,665,181
Total liabilities and net assets	$ 23,516,054

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

RAPIDES FINANCE AUTHORITY

Statement of Revenue, Expenses and Changes in Net Assets

For the Year Ended July 31, 2004

	Business-type Activities Enterprise Fund
Operating revenues:	
Interest on loans	$ 93,517
Interest from mortgage backed securities - single family home mortgage programs	579,287
Total operating revenues	672,804
Operating expenses:	
Interest on bonds issued in connection with first time home buyer programs	763,050
Bond trustee fees	14,371
Legal and professional	28,763
Other	34,729
Total operating expenses	840,913
Operating income (loss)	(168,109)
Nonoperating revenues (expenses):	
Interest on deposits and investments	181,649
Economic development assistance	(100,000)
Net increase (decrease) in fair value of investment securities	(201,805)
Total nonoperating revenue expenses	(120,156)
Net Income (loss)	(288,265)
Net assets - beginning of year	5,953,446
Net assets - end of year	$ 5,665,181

The accompanying notes are an integral part of the financial statements

RAPIDES FINANCE AUTHORITY

Statement of Cash Flows

For the Year Ended July 31, 2004

	Business-type Activities Enterprise Fund
Cash flow from operating activities:	
Receipts from borrowers	$ 473,078
Operation of first time home buyer programs:	
Receipts from paydown of mortgage backed securities	2,757,485
Receipts from interest on mortgage backed securities	587,985
Payments to acquire mortgage backed securities	(3,508,772)
Payments of interest on program debt	(726,711)
Payments to suppliers	(107,230)
Net cash provided (used) by operating activities	(524,165)
Cash flows from noncapital financing activities:	
Economic development assistance	(100,000)
Proceeds from revenue bonds	12,637,011
Disbursement of deferred bond issue cost	(218,565)
Payment to redeem revenue bonds	(7,417,012)
Net cash provided (used) by non-capital financing activities	4,901,434
Cash flows from investing activities:	
Receipts of interest on deposits and investments	201,787
Net change in investment contracts	(4,598,404)
Net cash provided (used) by investing activities	(4,396,617)
Net increase (decrease) in cash	(19,348)
Beginning cash balance	2,982,348
Ending cash balance	2,963,000
Restricted cash balance	359,230
Unrestricted cash balance	$ 2,603,770

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (168,109)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Mortgage backed securities - first time home buyer programs	
Receipts from paydown of mortgage backed securities	2,757,485
Payments to acquire mortgage backed securities	(3,508,772)
(Increase) Decrease in loans receivable	376,750
(Increase) Decrease in accrued interest receivable	13,085
Increase (Decrease) in accrued interest payable	(24,259)
Disbursement of deferred program cost	(29,367)
Amortization	59,022
Net cash provided (used) by operating activities	$ (524,165)

Supplemental Disclosure:

For the year ended July 31, 2004, 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.

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 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. The Authority's primary activity is conducting loan programs for first time home buyers.

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.

Basis of Presentation:

The Authority uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Authority only applies those FASB pronouncements that were issued on or before November 30, 1989.

Measurement Focus and Basic of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net assets.

In addition, the Authority's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Since the Authority's principal operations involve specialized lending activities, interest earned from loans and mortgaged backed securities are reported as operating revenues. In addition, interest incurred in connection with debt issued to finance first time home buyer mortgage loan programs is reported as an operating expense.

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.

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. Since the Authority's principal operations involve specialized lending activities, the following receipts and disbursements are reported as cash flows from operating activities:

- Payments to originate loans.
- Receipt of principal and interest collected from borrowers.
- Payments to acquire mortgage backed securities
- Receipts from paydowns and interest associated with mortgage backed securities.
- Payment of interest incurred in connection with bonds issued to finance loan origination and mortgage backed security acquisition.

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.

Restricted Resources:

A substantial portion of the Authority's resources are restricted by the terms of various bond indentures. For expenditures that satisfy restrictions, restricted resources are exhausted before utilizing any unrestricted resources.

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 effected 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, 2004 consisted of the following amounts:

	Cash on Deposit	Cash Equivalents	Total
Deposits held by the Authority's local fiscal agent	$ 2,185,736	$ ----	$ 2,185,736
Deposits held by Rapides Parish Police Jury's fiscal agent in the Police Jury's bank account	418,034	----	418,034
Highly liquid short-term investments administered by the bond trustees	----	359,230	359,230
Total Cash and Cash Equivalents	2,603,770	359,230	2,963,000
Restricted Cash and Cash Equivalents	----	359,230	359,230
Unrestricted Cash and Cash Equivalents	$ 2,603,770	$ ----	$ 2,603,770

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

NOTE 3 – 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 2003 Bond Indenture	$ 10,030,944
Series 2001 Bond Indenture	4,841,151
Series 1998 Bond Indenture	3,933,823
Total Investments	$ 18,805,918

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

Series 2003 Bond Indenture:

Proceeds from the Series 2003 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 uninsured and unregistered securities held in the Authority's name.

In addition to the acquisition of MBS, the terms of the Series 2003 bond indenture also authorize the trustee to utilize a guaranteed investment contract with XL Asset Funding (XL) for the temporary investment of bond proceeds. 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 2003 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. The bonds are scheduled to mature in 2034; however, actual repayment will be based on the payment history associated with underlying pools of single family home mortgages. These bonds pay interest monthly at the following rates:

Annual rate of 5.650%	$ 1,866,245
Annual rate of 5.250%	801,711

GUARANTEED INVESTMENT CONTRACT – The trustee is allowed to at a variable rate based on the 1 month LIBOR plus 0.01% per annum as determined on the last business day of each month. The contract terminates February 1, 2007; however, the trustee may withdraw funds on demand prior to termination.	7,362,988
Total investments, Series 2001 trust indenture	$10,030,944

Series 2001 Bond Indenture:

Proceeds from the Series 2001 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 uninsured and unregistered securities held in the Authority's name.

In addition to the acquisition of MBS, the terms of the Series 2001 bond indenture also authorize the trustee to temporarily invest funds with FGIC Capital Market Services Inc. (FGIC). Under the terms of the agreement with FGIC the investment contract is 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 2001 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. The bonds are scheduled to mature in 2032; however, actual repayment will be based on the payment history associated with underlying pools of single family home mortgages. These bonds pay interest monthly at the following rates:	
Annual rate of 6.375%	$ 1,619,188
Annual rate of 6.250%	393,117
Annual rate of 6.000%	762,124
Annual rate of 5.875%	37,509
Annual rate of 5.800%	1,700,897
FLOAT INVESTMENT CONTRACT – The trustee is allowed to at a guaranteed rate of 5.25%. The contract terminates December 1, 2033; however, the trustee may withdraw funds on demand prior to termination.	328,316
Total investments, Series 2001 trust indenture	$ 4,841,151

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 uninsured 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 FGIC Capital Market Services Inc. (FGIC). Under the terms of the investment contract with FGIC 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 having a rating in the highest category from Moody's and S&P. The collateral is held by an agent mutually agreed upon by FGIC 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 or FMNA. The bonds are scheduled to mature in 2029; however, actual repayment will be based on the payment history associated with underlying pools of single family home mortgages. These bonds pay interest monthly at the following rates:	
Annual rate of 6.10%	$ 2,529,355
Annual rate of 5.45%	1,101,144
FLOAT INVESTMENT CONTRACT – The trustee is allowed to invest up to $9,000,000 earning interest at a rate of 5.36%. Interest is payable in semi-annual installments due on June 1st and December 1st of each year. The contract terminates December 1, 2030; however, the trustee may withdraw funds on demand prior to termination	303,324
Total investments, Series 1998 trust indenture	$ 3,933,823

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, 2004 are summarized as follows:

Loans to various local governmental units earning interest at rates ranging from 4.5% to 6.5%.	$ 1,306,584
Loans currently in default and placed on non-accrual status. Collateral associated with these loans is believed to have limited value; therefore, a reserve for losses has been established in connection with these loans.	204,789
Total loans	1,511,373
Reserve for loan losses	(204,789)
Loans net of reserve for loan losses	$ 1,306,584

As described above, a portion of the Authority's loan portfolio is in default. Accordingly, 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	$ 212,108
Provision charged to operating expense	----
Loans charged off	(81,109)
Court awarded accrued interest	73,790
Recoveries on previously charged off loans	----
Balance at end of year	$ 204,789

NOTE 5 – LONG-TERM DEBT:

Long-term debt at July 31, 2004 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2003 Bonds				
Series 2003A	$ ----	$ 10,000,000	$ 2,637,012	$ 7,362,988
Series 2003B	----	2,425,070	(591)	2,425,661
Series 2001 Bonds	7,291,631	----	2,845,696	4,445,935
Series 1998 Bonds	5,406,126	----	1,880,923	3,525,203
Total Long-term Debt	$ 12,697,757	$ 12,425,661	$ 7,363,631	$ 17,759,787

Series 2003A Bonds:

Single Family Mortgage Revenue Bonds with a par value of $10,000,000. The interest rate is determined on the last business day of each month by adding 0.01% per annum to the LIBOR index published by Bloomberg LP. The interest rate is subject to a maximum of 10% and interest is payable in monthly installments. The bonds can be redeemed at 100% of par value and it is expected that all or a portion of the bonds will be redeemed with the proceeds from Series 2003B Bonds. Funds on deposit in the trust estate established by the bond indenture will be used to redeem any bonds that remain outstanding on February 1, 2007.

The bonds are limited and special obligations of the Authority payable solely from a security interest in bond proceeds held in trust and income from the investment of the bond proceeds by the trustee.

Series 2003B Bonds:

Proceeds from these Single Family Mortgage Revenue Refunding Bonds, Series 2003B will be used to refund the Series 2003A bonds and establish a fixed rate of interest to finance various components of the single family home mortgage program.

The Series 2003B that will be issued in multiple subseries during the period from August 7, 2003 through October 3, 2005. The period for issuing various subseries may be extended until February 1, 2007 if appropriate written notice is provided. Collectively the various subseries will have an aggregate par value of $10,000,000. The interest rate for each subseries is determined by Fanie Mae prior to issuance. The bonds are scheduled to mature April 1, 2037; however, actual maturity will be influenced by redemption provisions. Outstanding subseries are presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2003B Bonds:				
Subseries 1	$ ----	$ 1,039,939	$ ----	$ 1,039,939
Subseries 2	----	804,724	----	804,724
Subseries 3	----	805,599	----	805,599
Unamortized Discount	----	(13,250)	(591)	(12,659)
Deferred Issue Cost	----	(211,942)	----	(211,942)
Total	$ ----	$ 2,425,070	$ (591)	$ 7,425,661

To a large extent, maturity of the amounts presented above is influenced by the origination and collection of various mortgage loans financed with the proceeds of this issue. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate.

Security for the Series 2003B bonds consist of mortgage backed securities acquired pursuant to the Program and revenue produced by these securities will also serve as security for the 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 2003B 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:

Mandatory Redemption:

From Pledged Revenues - Mandatory redemption, in whole or in part, is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principle payments.

Optional Redemption:

At the Authority's option, the bonds may be redeemed on or after January 1, 2013 from any available source of funds at 100% of par value. An optional redemption may be in whole or in part.

Series 2001 Bonds:

Single Family Mortgage Revenue Bonds Series 2001 bonds outstanding at July 31, 2004, are presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2001 Bonds:				
Class A – Maturing 2014	$ 1,205,000	$ ----	$ 1,205,000	$ ----
Class A – Maturing 2033	3,900,000	----	880,000	3,020,000
Class B	2,355,000	----	800,000	1,555,000
Unamortized Discount	(7,902)	----	(1,121)	(6,781)
Deferred Issue Cost	(160,467)	----	(38,183)	(122,284)
Total	$ 7,291,631	$ ----	$ 2,845,696	$ 4,445,935

To a large extent, maturity of the amounts presented above is influenced by the collection of various mortgage loans originated with the proceeds of this issue. 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 2001 issue is presented as follow:

Class A (Maturing 2014) - Revenue Bonds with a par value of $1,600,000. Interest is based on a rate of 4.6%, interest is payable in semi-annual installments due on June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning June 1, 2004 with the final installment due December 1, 2014; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class A (Maturing 2033) - Revenue Bonds with a par value of $3,900,000. Prior to June 1, 2002 interest is based on a rate of 4.25%; however, on June 1, 2002 the bonds begin earning 5.9% per annum. Interest is payable in semi-annual installments due on June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning December 1, 2024 with the final installment due December 1, 2033; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class B (Refunding Bonds) - Revenue Bonds with a par value of $2,355,000. Prior to June 1, 2002 interest is based on a rate of 4.375%; however, on June 1, 2002 the bonds begin earning 5.625% per annum. Interest is payable in semi-annual installments due on June 1st and December 1st of each year. The bonds are scheduled to mature serially beginning June 1, 2015 with the final installment due December 1, 2024; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Security for the Series 2001 bonds consist 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 and revenue produced by these securities will also serve as security for the Series 2001 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 2001 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:

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 principle 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 June 1, 2003. This redemption date may be extended under certain circumstances; however, it may not be extended beyond December 1, 2004.

Optional Redemption:

At the Authority's option, the bonds may be redeemed on or after June 1, 2011 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:

Dates:	**Redemption Price**
June 1, 2011 through November 30, 2011	102%
December 1, 2011 through May 31, 2012	101%
June 1, 2012 and thereafter	100%

Series 1998 Bonds:

Series 1998 consist of the following bonds dated July 15, 1998. At July 31, 2004, series 1998 debt consisted of the following balances:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Series 1998 Bonds:				
Class A, Maturing 2018	$ 20,000	$ ----	$ 20,000	$ ----
Class A, Maturing 2030	4,700,000	----	1,605,000	3,095,000
Class B	800,000	----	270,000	530,000
Deferred Issue Cost	(113,874)	----	(14,077)	(99,797)
Total	$ 5,406,126	$ ----	$ 1,880,923	$ 3,525,203

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 follow:

Class A (Maturing 2018) - Revenue Bonds with a par value of $2,300,000. Interest is based on a rate of 4.9%, 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, 2001 with the final installment due December 1, 2018; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Class A (Maturing 2030) - Revenue Bonds with a par value of $4,700,000. Interest is based on a rate of 5.45%, 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, 2030; 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, 2026; however, actual maturity will be influenced by mandatory and optional redemption provisions.

Security for the Series 1998 bonds consist 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:

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 principle 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:

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

NOTE 6 – RISK MANAGEMENT:

The Authority is exposed to various risk of loss related to torts, theft, errors and omissions. The Authority insures against these risk described above by purchasing commercial insurance coverage. Legal counsel has advised management that no claims have resulted from these insured risk during any of the past three fiscal years.

NOTE 7– CONDUIT DEBT OBLIGATIONS:

The Authority has issued certain bonds for the sole purpose of funding loans to various educational institutions and manufacturing enterprises. These bonds are limited and special revenue obligations of the Authority payable solely from funds collected as a result of the loans funded by the bond proceeds. 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:

Year Ended July 31st:	Principal Amount
2005	$ 355,000
2006	380,000
2007	410,000
2008	440,000
2009	465,000
2010 – 2014	2,765,000
2015 - 2019	3,635,000
2020 - 2024	4,885,000
Total	$ 13,335,000

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September 9, 2004

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, 2004, and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *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 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 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.

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

ROZIER, HARRINGTON & McKAY
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, 2004 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 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 cost.	Rcsponse – 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 cost.	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, 2004

Amos Wesley	$ 1,200
Barry Hines	1,000
Bobbie Clifton	1,100
Candy Christophe	1,000
Charles Johnson	500
David Bates	1,100
David Butler	3,900
Granvel Metoyer	1,300
Jack Dewitt	1,300
James Morgan	1,300
Joe Page	1,100
Morton Henderson	1,300
Tom Nash	1,200
Total	$ 17,300