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**VISIT BATON ROUGE**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

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Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

VISIT BATON ROUGE

FINANCIAL REPORT

DECEMBER 31, 2019

## CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 3
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Management's Discussion and Analysis	4 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	
Governmental Funds Balance Sheet and Statement of Net Position	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	13
Notes to Financial Statements	14 - 24
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Schedule of Funding Progress and Employer Contributions for Other Post-employment Benefit Plan	25
Budgetary Comparison Schedule – General Fund	26
Budgetary Comparison Schedule – BP Grants	27
<u>OTHER SUPPLEMENTAL INFORMATION</u>	
Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer	28
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 – 30

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Visit Baton Rouge  
Baton Rouge, Louisiana

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of Visit Baton Rouge (VBR) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise VBR's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Visit Baton Rouge as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

As described in Note 13 to the financial statements, VBR is being impacted by disruptions in the economy and business interruptions, as well as all aspects of travel, associated with the coronavirus (COVID-19) pandemic. VBR expects this matter to negatively impact its tax revenue collections in 2020. Our conclusion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress and employer contributions for other post-employment benefit plan, and the budgetary comparison information on pages 4-9, 25, and 26-27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Visit Baton Rouge basic financial statements. The schedule of compensation, benefits and other payments to the Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

*Other Supplemental Information (continued)*

The schedule of compensation, benefits and other payments to the Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to the Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020 on our consideration of VBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VBR's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 19, 2020

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

This section of Visit Baton Rouge's (VBR) annual financial report presents our discussion and analysis of VBR's financial performance during the fiscal year that ended on December 31, 2019. Please read it in conjunction with VBR's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- VBR's net position was \$5,804,836 consisting only of general fund at December 31, 2019, an increase of 5.5% from net position as of December 31, 2018 of \$5,499,516 which included \$50,000 related to the BP grants.
- The overall increase in VBR's net position of \$305,320 can be attributed primarily to an operating surplus in the general fund that resulted from revenues exceeding expenditures in the current year due to the additional 2% occupancy tax that was effective April 1, 2018 and generated approximately \$960,000 in 2018 and \$1,367,000 in 2019 additional revenue during the year.
- The general fund ended the years 2019 and 2018 with a \$5,065,548 and \$4,678,727 fund balance which represents approximately 93% of annual expenditures each year. Of that balance, \$1,628,065 and \$1,294,200, respectively, was unassigned and available for general use.
- VBR received grant funds (BP Grant Funds) of \$102,869 in 2019 from BP related to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico to sponsor events in the Baton Rouge area to increase tourism. This funding has been used to purchase billboard advertisements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of VBR:

- The government-wide financial statement of net position and statement of activities provide long-term information about VBR's overall financial status and economic condition.
- The fund financial statements focus on the general fund and the special revenue fund of VBR. These financial statements provide a short-term picture of VBR's financial condition, telling how VBR fared in meeting its current operating needs, and how much is available for future spending.
- The statement of fiduciary assets and liabilities present financial information relative to assets held by VBR on behalf of City of Baton Rouge and Parish of East Baton Rouge (the City-Parish).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**Government-wide Financial Statements**

The government-wide statements report information about VBR as a whole using accounting methods similar to those used by private-sector companies. The government-wide statements report VBR's net position and how they have changed. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Net position — the difference between VBR's assets and liabilities — is one way to measure VBR's financial health, or position. Over time, increases or decreases in VBR's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of VBR, one needs to consider additional nonfinancial factors such as changes in the tourism climate that affects VBR's hotel/motel tax revenues, and the local economy.

**Fund Financial Statements**

The fund financial statements present VBR's funds – the general fund and the special revenue fund. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes. VBR's general fund and special revenue fund are governmental-type funds and, as such, follow the modified accrual basis of accounting. Under this accounting basis, the focus is on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, governmental fund statements provide a detailed short-term view that helps one determine whether there are more or less financial resources that can be spent in the near future to finance VBR's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide adjustment columns to bridge the differences between the two statements and to provide explanations of the relationship.

**FINANCIAL ANALYSIS OF VBR**

<b>Table A-1</b>		
<b>Net Position</b>		
	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 5,461,799	\$ 4,950,770
Capital assets	1,354,312	1,411,824
Deferred outflow	30,329	2,372
<b>Total assets and deferred outflows</b>	<b>6,846,440</b>	<b>6,364,966</b>
Current liabilities	396,251	222,043
Long term liabilities	635,429	632,821
Deferred inflow	9,924	10,586
<b>Total liabilities and deferred inflows</b>	<b>1,041,604</b>	<b>865,450</b>
Net position		
Net investment in capital assets	904,312	928,024
Restricted – BP grant	-	50,000
Unrestricted	4,900,524	4,521,492
<b>Total net position</b>	<b>\$ 5,804,836</b>	<b>\$ 5,499,516</b>



**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF VBR (continued)**

A substantial portion of the assets of VBR are liquid and generally available for spending. Current assets are comprised primarily of cash, LAMP funds and receivables. Amounts invested in capital assets consist primarily of a renovated office building, office furniture and vehicles.

**Change in net position**

VBR's change in net position, or overall net gain, was \$305,320. The change in net position results from revenues exceeding expenses. The net gain is primarily attributable to VBR receiving an additional 1% of hotel tax revenue as discussed below and lower than projected expenses.

Table A-2 shows the composition of revenues and summarizes the expenses for the years ended 2019 and 2018.

<b>Table A-2</b>		
<b>Changes in VBR's</b>		
<b>Net Position</b>		
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ -	\$ 1,624
BP grants	102,869	-
<b>Total program revenues</b>	<b>102,869</b>	<b>1,624</b>
General revenues		
Hotel-Motel taxes	5,696,642	5,118,736
Interest	93,376	74,012
Miscellaneous	16,123	39,210
<b>Total general revenues</b>	<b>5,806,141</b>	<b>5,231,958</b>
<b>Total revenues</b>	<b>5,909,010</b>	<b>5,233,582</b>
<b>Expenses</b>		
Payroll	1,814,193	1,794,247
Promotions	2,699,432	2,278,753
General and Administrative	694,001	741,766
City tax rebates (see footnote 11)	148,195	145,617
BP grant expenses	152,869	100,000
Contributions- other organizations	95,000	95,000
<b>Total expenses</b>	<b>5,603,690</b>	<b>5,155,383</b>
<b>Increase in net position</b>	<b>\$ 305,320</b>	<b>\$ 78,199</b>

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**Change in net position (continued)**

Hotel-Motel taxes of \$5,696,642 reflect a 11.3% increase over 2018 revenues. Revenues for the year ended 2019 increased due to East Baton Rouge Parish approving a proposition for VBR to levy and collect an additional two (2%) percent tax upon the paid occupancy of hotel rooms located within East Baton Rouge Parish, but not located within the municipalities of Baker, Central or Zachary, or the area within the boundaries of the Baton Rouge North Economic Development District. The tax began on April 1, 2018, and thereafter, in perpetuity, to be levied and collected by Visit Baton Rouge and used (after paying reasonable and necessary costs and expenses of collecting and administering such tax) fifty percent (50%) for the operation, maintenance and construction improvements to the Raising Cane's River Center and fifty percent (50%) for the operational and capital expenses of Visit Baton Rouge. Hotel-Motel taxes represent 98.1% and 97.8% of total revenues for 2019 and 2018, respectively.

Payroll and promotional activities together represent 81% and 79% of total expenses in 2019 and 2018, respectively, underscoring the importance of quality employees to promote and sell Baton Rouge as a tourism and convention destination.

**Financial Analysis of the General Fund and Special Revenue Funds**

VBR completed the years ended 2019 and 2018 with a general fund balance of \$5,065,548 and \$4,678,727, respectively. Of the 2019 fund balance, \$3,288,618 has been set-aside by the Board for various functions, \$148,865 has been disbursed and is recorded as a prepaid asset, and \$1,628,065 is available for general use. The unassigned fund balance is the result of an accumulation of prior year operating surpluses and will allow VBR to continue operations in times of decreasing revenue and to pursue other projects as it may deem appropriate.

The BP grant funds had a beginning fund balance of \$50,000. During 2019, VBR received additional grant funds totaling \$102,869 and disbursed the remaining grant funds totaling \$152,869 for related expenses, primarily related to advertising.

**General Fund Budgetary Highlights**

Under the budget, the general fund operated at a net surplus of \$386,821 which was \$341,457 more favorable than the budgeted operating surplus of \$45,364. This favorable result is attributable to VBR receiving more tax revenues over the budget amount and due to less spending than budgeted by VBR for special promotions and G&A expenses.

**CAPITAL ASSETS**

At the end of December 31, 2019 and 2018, VBR had invested \$1,354,312 and \$1,411,824, respectively, in a building, office equipment and vehicles. See Table A-3. This amount represents a net decrease (including additions and deductions) of \$57,512 or 4.1% from last year.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**CAPITAL ASSETS (continued)**

	<b>Table A-3</b> <b>VBR's Capital Assets</b> (net of depreciation) (See also Note 4 in the financial statements)	
	<b>2019</b>	<b>2018</b>
Equipment	\$ 374,397	\$ 367,253
Building	1,453,790	1,453,790
Land	220,000	220,000
Automobiles	22,706	22,706
Accumulated depreciation	(716,581)	(651,925)
<b>Total</b>	<b>\$ 1,354,312</b>	<b>\$ 1,411,824</b>

This year's major changes to Capital Assets included:

- Removal of approximately \$4,900 of fully depreciated assets (accounting records only).
- During the year, VBR purchased computers and additional equipment.

**LONG TERM DEBT**

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of paying for the improvement, renovation and equipping of the new headquarters of VBR. VBR utilized \$750,000 of the \$1,000,000 available. The outstanding balance at December 31, 2019 and 2018 was \$450,000 and \$483,800, respectively.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

In 2013, Visit Baton Rouge approved the funding of post-employment medical and long term care for retired employees for the first time. Prior to 2013, no benefits of any type were offered to retired employees. During fiscal year ended December 31, 2018, Visit Baton Rouge implemented GASB 75. At December 31, 2019 and 2018 the other post-employment benefit obligation was \$185,429 and \$149,021, respectively.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

VBR's primary source of revenue is the Hotel-Motel tax. Revenues for 2020 were originally budgeted based on the original amount budgeted for 2019, considering changes in planned events, not the actual revenue received. On April 23, 2020, in response to the impacts of COVID 19, the Board approved a revised budget for 2020 with a reduction in Hotel/Motel tax revenue of approximately \$845,000. See footnote 13.

**VISIT BATON ROUGE**  
**BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2019**

**CONTACTING VBR'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and other constituents with a general overview of VBR's finances and to demonstrate VBR's accountability for the money it receives. If you have questions about this report or need additional financial information, contact VBR's Chief Executive Officer, Paul Arrigo, 359 Third Street, Baton Rouge, LA 70801 – (225) 383-1825.

**VISIT BATON ROUGE**  
**GOVERNMENTAL FUNDS BALANCE SHEET AND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<u>General Fund</u>	<u>BP Grants</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,321,868	\$ -	\$ -	\$ 1,321,868
Cash - board designated	3,288,618	-	-	3,288,618
Receivables	702,448	-	-	702,448
Prepaid expenses	148,865	-	-	148,865
Capital assets, net of accumulated depreciation	-	-	1,354,312	1,354,312
<b>TOTAL ASSETS</b>	<u>5,461,799</u>	<u>-</u>	<u>1,354,312</u>	<u>6,816,111</u>
<b><u>DEFERRED OUTFLOWS</u></b>	-	-	30,329	30,329
<b><u>LIABILITIES</u></b>				
Accounts payable	374,356	-	-	374,356
Other current liabilities	21,895	-	-	21,895
Long-term liabilities				
Due within one year	-	-	35,200	35,200
Due in more than one year	-	-	414,800	414,800
Other post-employment benefit obligation	-	-	185,429	185,429
<b>TOTAL LIABILITIES</b>	<u>396,251</u>	<u>-</u>	<u>635,429</u>	<u>1,031,680</u>
<b><u>DEFERRED INFLOWS</u></b>	-	-	9,924	9,924
<b><u>FUND BALANCES/NET POSITION</u></b>				
Nonspendable - prepaids	148,865	-	(148,865)	-
Committed	3,288,618	-	(3,288,618)	-
Unassigned	1,628,065	-	(1,628,065)	-
<b>TOTAL FUND BALANCE</b>	<u>5,065,548</u>	<u>-</u>	<u>(5,065,548)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 5,461,799</u>	<u>\$ -</u>		
Net position:				
Net investment in capital assets			904,312	904,312
Unrestricted			4,900,524	4,900,524
<b>TOTAL NET POSITION</b>			<u>\$ 5,804,836</u>	<u>\$ 5,804,836</u>

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

Total fund balances - Governmental funds		\$ 5,065,548
Cost of capital assets at December 31, 2019	2,070,893	
Less: accumulated depreciation as of December 31, 2019	<u>(716,581)</u>	1,354,312
Other post-employment benefits obligation		(185,429)
Deferred inflows of resources related to OPEB liability		(9,924)
Deferred outflows of resources related to OPEB liability		30,329
Contract payable		(450,000)
Net position at December 31, 2019 - Governmental Activities		<u>\$ 5,804,836</u>

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General Fund</b>	<b>BP Grants</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
Expenditures/expenses:				
Salaries and commissions	\$ 1,356,529	\$ -	\$ -	\$ 1,356,529
Payroll taxes and benefits	457,664	-	-	457,664
Advertising and promotion	1,649,157	152,869	-	1,802,026
Trade shows and FAM/Site visits	110,162	-	-	110,162
Special promotions	940,113	-	-	940,113
General and administrative	604,182	-	-	604,182
Contributions to Baton Rouge Area				
Sports Foundation	95,000	-	-	95,000
Debt service:				
Interest expense	12,454	-	-	12,454
Principal retirement	33,800	-	(33,800)	-
Capital outlay	12,064	-	(12,064)	-
Other post-employment benefit obligation	-	-	7,789	7,789
City tax rebate	148,195	-	-	148,195
Depreciation expense	-	-	69,576	69,576
Total expenditures/expenses	<u>5,419,320</u>	<u>152,869</u>	<u>31,501</u>	<u>5,603,690</u>
Program revenues:				
Charges for services	-	-	-	-
BP Grants	-	102,869	-	102,869
Total program revenues	<u>-</u>	<u>102,869</u>	<u>-</u>	<u>102,869</u>
Net program expense				<u>5,500,821</u>
General revenues:				
Tax revenue	5,696,642	-	-	5,696,642
Interest income	93,376	-	-	93,376
Miscellaneous income	16,123	-	-	16,123
Total general revenues	<u>5,806,141</u>	<u>-</u>	<u>-</u>	<u>5,806,141</u>
Total revenues	<u>5,806,141</u>	<u>102,869</u>	<u>-</u>	<u>5,909,010</u>
Excess of revenues over expenditures/ change in net position	<u>386,821</u>	<u>(50,000)</u>	<u>(31,501)</u>	<u>305,320</u>
Fund balance/net position				
Beginning of year	4,678,727	50,000		5,499,516
End of year	<u>\$ 5,065,548</u>	<u>\$ -</u>		<u>\$ 5,804,836</u>

The accompanying notes are an integral part of this statement.

**VISIT BATON ROUGE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2019**

Excess of revenues over expenditures		\$	336,821
The change in net position reported for governmental activities in the statement of activities is different because of:			
Capital assets:			
Capital assets acquired for the year ended December 31, 2019	12,064		
Depreciation expense for year ended December 31, 2019	<u>(69,576)</u>		(57,512)
Other post-employment benefit obligation			(7,789)
Long Term Debt:			
Principal portion of debt service payments			<u>33,800</u>
Change in net position		<u>\$</u>	<u>305,320</u>

The accompanying notes are an integral part of this statement.



## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### General Statement

Visit Baton Rouge is a governmental entity established to promote travel and tourism in the Baton Rouge area. VBR is also responsible for attracting conventions to Baton Rouge. The basic operations of VBR are financed by hotel-motel taxes.

##### Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, VBR is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, as amended, fiscally independent means that VBR may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. VBR also has no *component units*, defined by the standards as other legally separate organizations for which the elected VBR members are financially accountable. There are no other primary governments with which VBR has a significant relationship. VBR is not a component unit of any other entity.

##### Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management believes all accounts are collectible at December 31, 2019.

##### Basis of Presentation and Accounting

VBR's basic financial statements consist of the government-wide statements of the primary government. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent they have been made authoritative under Governmental Accounting Standards Statement 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements. The following are VBR's governmental fund types:

##### *Governmental Fund Types:*

VBR reports the following governmental funds as major funds:

*General Fund:* The General Fund is the general operating fund of VBR. It accounts for all financial resources except those required to be accounted for in other funds. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Special Revenue Fund:* Special Revenue Funds account for the proceeds received from BP (BP Grants) to sponsor events in the Baton Rouge area to increase tourism.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Basis of Presentation and Accounting (continued)

*Government-Wide Financial Statements (GWFS):* The government-wide financial statements consisting of the statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. These statements include the financial activities of the overall government.

The statement of net position presents the assets, deferred outflows, liabilities and deferred inflows of VBR, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and amounts which are unrestricted.

The statement of activities presents a comparison between expenses and program revenues for VBR's governmental activities. Program revenues include charges paid by the recipients of goods or services offered by VBR.

*Fund Financial Statements (FFS):* The fund financial statements provide information about VBR's general fund and special revenue fund. As a governmental fund type, the general fund and special revenue fund statements' measurement focus is on the flow of current financial resources, and the modified accrual basis of accounting is used. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets (fund balance).

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable – represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – represents balances where constraints have been established by parties outside VBR or imposed by law through constitutional provisions or enabling legislation.

Committed – represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of VBR's highest level of decision-making authority.

Assigned – represents balances that are constrained by VBR's intent to be used for specific purposes, but are not restricted nor committed.

Unassigned – represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Basis of Presentation and Accounting (continued)

##### Net Position

Net position represents the difference between assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those restricted assets. The restricted component of net position is used when there are limitations imposed on their use of an asset by external parties such as creditors, grantors, laws or regulations of other governments.

The *unrestricted* component of Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of Net Position.

When both restricted and unrestricted resources are available for use for a particular project or purpose, it is VBR's policy to use restricted resources first, then unrestricted resources as they are needed.

##### Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. *Deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. *Deferred inflows* of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Budgets and Budgetary Accounting

VBR adopts an annual budget that is prepared on the modified accrual basis of accounting for the General Fund and the Special Revenue Funds used in VBR's operations. The budgets are adopted by the board of directors at the December meeting proceeding the next fiscal year. Any revisions that alter the total expenses must be approved by the board of directors (see Note 13). Since most budgeted projects occur within one fiscal year, VBR typically does not have any carryovers of appropriated expenditures into future fiscal years.

##### Compensated Absences

All full-time employees earn from 10 to 15 days of vacation leave each year, depending on length of service with VBR. Vacation leave cannot be accumulated. Upon separation, all earned unused vacation leave for that year will be paid.

All full-time employees earn 10 days of sick leave each year. Sick leave may be accumulated not to exceed 20 work days. If an employee resigns or is terminated, the employee will not be paid for any unused sick leave.

The cost of compensated absence privileges is recognized as a current year expenditure in the General Fund when leave is actually taken.

##### Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated lives. Useful lives vary from 3 to 15 years for VBR's equipment. The useful life for the building is 40 years. Capital assets are depreciated once they are placed in service, except for assets purchased after July 1. Those assets purchased after July 1 are depreciated beginning the following year.

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Costs are recorded as expenditures at the time individual items are consumed (consumption method).

#### 2. BOARD MEMBER COMPENSATION

The Board Members of VBR did not receive any compensation during 2019.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 3. CASH AND INVESTMENTS

The \$3,288,618 in cash and cash equivalents is invested in LAMP. LAMP is considered to be an external investment pool administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

The following facts are relevant for LAMP:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 70 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 46 days as of December 31, 2019.
- Foreign currency risk: Not applicable.

LAMP values its investments at fair value based on quoted market values. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares which approximates net asset value (NAV).

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and board of directors. LAMP is not registered with the SEC as an investment company.

An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

**VISIT BATON ROUGE**

**NOTES TO FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

	2019			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 367,253	\$ 12,064	\$ (4,920)	\$ 374,397
Building	1,453,790	-	-	1,453,790
Land	220,000	-	-	220,000
Automobiles	22,706	-	-	22,706
	<u>\$ 2,063,749</u>	<u>12,064</u>	<u>(4,920)</u>	<u>\$ 2,070,893</u>
Less: Accumulated Depreciation	<u>\$ 651,925</u>	<u>69,576</u>	<u>(4,920)</u>	<u>\$ 716,581</u>
Net Capital Assets	<u>\$ 1,411,824</u>			<u>\$ 1,354,312</u>

**5. COMMITTED FUND BALANCE**

The board has committed \$3,288,618 of fund balance for special projects, operations, OPEB L/T retirement and building repairs. Separate accounts have been established to hold assets earmarked for these committed purposes. A summary of these accounts is as follows:

	2019			
	Beginning Balance	Additions	Deletions	Ending Balance
LAMP – Special Project Account	\$ 945,419	72,626	( - )	\$ 1,018,045
LAMP – Contingency Fund	1,703,400	38,151	( 39,087 )	1,702,464
LAMP – OPEB L/T Retirement	65,890	1,494	( - )	67,384
LAMP – Building Repair Account	501,000	11,221	( 11,496 )	500,725
	<u>\$ 3,215,709</u>	<u>\$ 123,492</u>	<u>(\$ 50,583)</u>	<u>\$ 3,288,618</u>

**6. RETIREMENT PLAN**

VBR contributed 10% in 2019, of each eligible employee's salary to an employee defined contribution retirement plan. In order to be eligible under the plan, the employee must have completed 40 hours of service and 90 day probationary period. Employees are 100% vested at the time of eligibility. VBR contributed \$113,141 for the year ended December 31, 2019. Effective January 1, 2013, part-time employees were no longer covered under the Plan.

VISIT BATON ROUGE

NOTES TO FINANCIAL STATEMENTS

**7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

*Plan description* – Visit Baton Rouge provides certain continuing health care and insurance benefits for its retirees. Visit Baton Rouge’s OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by Visit Baton Rouge (VBR). Current employees are eligible for these plan benefits if they retire as members of the VBR sponsored retirement plan. These benefits are provided through an Other Post Employment Benefit Plan (the OPEB Plan) categorized as a single-employer defined benefit plan that VBR administers. VBR’s board has the authority to establish and/or amend the obligation of the employer, employees and retirees as provided by Louisiana Revised Statute Title 17 Sections 1221 through 1224. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75.

*Benefits Provided* – Medical benefits to retirees are provided through an insured program. The plan provisions are contained in the official plan documents. The retirement eligibility provisions are attainment of age 62 and completion of 15 years of service.

*Employees covered by benefit terms* – The December 31, 2019 total OPEB liability was determined using the January 1, 2019 (valuation date) actuarial valuation that included the following employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>19</u>
	<u>20</u>

**Total OPEB Liability**

The Entity’s total OPEB liability of \$185,429 was measured as of December 31, 2019 and was determined by an actuarial valuation as of the valuation date.

*Actuarial Assumptions and other inputs* – The total OPEB liability as of December 31, 2019 was based on the valuation date using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	4.10% annually (Beginning of Year to Determine ADC) 2.74%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Zero trend has been assumed
Turnover	Age specific table with an average of 10% when applied to the active census
Retirement age	50% are assumed to retire at age 62 and 15 years of service and 50% are assumed to retire at age 65 and 15 years of service

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2019, the end of the applicable measurement period.

VISIT BATON ROUGE

NOTES TO FINANCIAL STATEMENTS

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued)

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2019.

**Changes in the Total OPEB Liability**

Balance at December 31, 2018	\$ 149,021
Changes for the year:	
Service cost	3,342
Interest	6,043
Differences between expected and actual experience	3,550
Changes in assumptions	26,717
Benefit payments	(3,244)
Net changes	36,408
Balance at December 31, 2019	\$ 185,429

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the Entity, as well as what the Visit Baton Rouge’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1.0% Decrease (1.74%)	Current Discount Rate (2.74%)	1.0% Increase (3.74%)
Total OPEB liability	\$ 219,315	\$ 185,429	\$ 158,724

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – Not applicable since no trend has been assumed.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, Visit Baton Rouge recognized OPEB expense of \$11,033. At December 31, 2019, Visit Baton Rouge reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,520	\$ -
Changes in assumptions	24,809	(9,924)
Total	\$ 30,329	\$ (9,924)



**VISIT BATON ROUGE**

**NOTES TO FINANCIAL STATEMENTS**

7. **POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS** (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2020	\$ 1,648
2021	1,648
2022	1,648
2023	1,648
2024	1,648
Thereafter	\$ 12,156

8. **RECEIVABLES**

General Fund Receivables as of December 31, 2019 consisted of the following:

Hotel-Motel Taxes Receivable	\$ 697,123
Other Receivables	<u>5,325</u>
	<u>\$ 702,448</u>

9. **CONTRACT PAYABLE**

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of providing funding for the improvement, renovation and equipping of the new headquarters of VBR. In 2008, VBR drew down \$750,000 of the \$1,000,000 available for this purpose. The amount borrowed is due in monthly payments amortized over the life of the contract, bearing interest at the Securities Industry and Financial Markets Association (SIFMA) rate plus 1.2%. The interest rate at December 31, 2019 was 2.81%. Principal repayments during 2019 were \$33,800. This contract ends December 21, 2029. The contract is secured by and payable from the lawful and available funds of VBR. The outstanding balance at December 31, 2019 was \$450,000.

The minimum debt service payments are scheduled to occur as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,200	\$ 12,195	\$ 47,395
2021	37,500	11,178	48,678
2022	39,400	10,097	49,497
2023	41,900	8,963	50,863
2024	43,500	7,761	51,261
2025-2029	<u>252,500</u>	<u>18,393</u>	<u>270,893</u>
	<u>\$ 450,000</u>	<u>\$ 68,587</u>	<u>\$ 518,587</u>

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 10. COMMITMENTS

Effective April 23, 2015, VBR entered into an agreement for signage and multi-media components advertising. The term of the agreement began on July 1, 2015 and will expire on June 30, 2020. Payments of a sponsorship fee of \$97,850 are due in year one through year five. There is one year remaining on the commitment. If VBR fails to make payment within thirty days after its due date, there will be a 1.5% fee assessed per month for the amount past due until paid.

#### 11. COOPERATIVE ENDEAVOR AGREEMENTS

Effective April 25, 2017 and June 30, 2017, VBR entered into cooperative endeavor agreements with certain Cities for hotel/motel room tax collections in order to support the City's economic development efforts relating to travel and tourism in the City and Parish. The agreements are for twenty-five (25) years commencing on the effective date. The terms of the agreements state that VBR will dedicate part of the room tax collection received from the City of Baton Rouge to surrounding areas of the Cities based on the monthly occupancy rate calculated by the City of Baton Rouge. VBR will pay to the Cities a sum equal to the revenue actually received by VBR from three percent (3%) (Out of a total four (4%)) of VBR's lodging tax levy attributable to taxable entities located within the corporate limits of the Cities. For the year ended December 31, 2019, VBR paid \$148,195 in city tax rebates to the participating Cities.

Effective April 1, 2019, VBR entered into a cooperative endeavor agreement with the City of Baton Rouge and Parish of East Baton Rouge (the City-Parish) whereas the City-Parish will provide funds in the amount of \$17,500 to VBR. VBR will act as fiscal agent for the expenditures of the funding and will assist Baton Rouge Film Commission with marketing Baton Rouge as a premiere location for film and TV productions.

#### 12. TAX REVENUES ABATED

Tax abatements for VBR consist of those for hotel-motel occupancy taxes that were approved by the City of Baton Rouge – Parish of East Baton Rouge (City Parish). The City-Parish's Metro-Council considers tax abatement agreements on an individual basis. These abatements are permissible in accordance with Louisiana Revised Statutes Chapter 27 of Title 33. These abatements are provided through the use of Tax Increment Financing (TIF) whereby separate legal entities (districts) are formed for the purpose of governing the use of tax revenue generated within the district. For the fiscal year ending December 31, 2019, there was approximately \$267,550 in tax abatements related to the use of TIFs.

## VISIT BATON ROUGE

### NOTES TO FINANCIAL STATEMENTS

#### 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 19, 2020, and determined that the following disclosures are necessary.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions, as well as all aspects of travel, and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The extent to which the COVID-19 pandemic may impact financial markets and VBR’s financial condition or results of operations cannot be reasonably estimated at this time.

On April 23, 2020, in response to the impacts of COVID 19, the Board approved a revised budget for 2020 with a reduction in Hotel/Motel tax revenue of approximately \$845,000. The Board has also authorized \$3,200,000 of LAMP funds to be available for general operations. Event cancellations, record low hotel occupancy rates and plummeting oil prices have negatively impacted both corporate and personal travel. The uncertainty of rescheduling previously cancelled events and scheduling future events, such as collegiate sports and corporate events, remains unknown.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**VISIT BATON ROUGE**  
**SCHEDULES OF CHANGES IN**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE OF FUNDING PROGRESS**

<u>Fiscal Year</u> <u>Ending</u>	<u>Measurement date</u>	<u>Service Cost</u>	<u>Interest</u>	<u>Difference</u> <u>between</u> <u>actual and</u> <u>expected</u> <u>experience</u>	<u>Changes of</u> <u>assumptions</u>	<u>Benefit payments</u>	<u>Net change in total</u> <u>OPEB liability</u>	<u>Total OPEB</u> <u>liability -</u> <u>beginning</u>	<u>Total</u> <u>OPEB</u> <u>liability -</u> <u>ending</u>	<u>Covered-</u> <u>employee</u> <u>payroll</u>	<u>Total OPEB</u> <u>liability as a</u> <u>percentage of</u> <u>covered-</u> <u>employee</u> <u>payroll</u>
12/31/19	12/31/19	\$ 3,342	\$ 6,043	\$ 3,550	\$ 26,717	\$ (3,244)	\$ 36,408	\$ 149,021	\$ 185,429	\$ 1,142,024	16.24%
12/31/18	12/31/18	\$ 3,670	\$ 5,177	\$ 2,520	\$ (11,248)	\$ (3,209)	\$ (3,090)	\$ 152,111	\$ 149,021	\$ 1,098,100	13.57%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to the Required Supplementary Information.**

*Benefit Changes.*

There were no changes of benefit terms for the year ended December 31, 2019.

*Changes of Assumptions.*

The changes in assumptions balance was a result of changes in the discount rate. The following are the discount rates used for in each measurement of total OPEB liability.

<u>Measurement Date</u>	<u>Discount Rate</u>
12/31/2019	2.74%
12/31/2018	4.10%
12/31/2017	3.44%

**VISIT BATON ROUGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Tax revenue	\$ 5,393,500	\$ 5,564,590	\$ 5,696,642	\$ 132,052
Interest income	81,500	97,835	93,376	(4,459)
Miscellaneous income	500	18,000	16,123	(1,877)
Total revenues	<u>5,475,500</u>	<u>5,680,425</u>	<u>5,806,141</u>	<u>125,716</u>
<b><u>EXPENDITURES</u></b>				
Salaries and commissions	1,415,602	1,378,010	1,356,529	21,481
Payroll taxes and benefits	519,616	475,510	457,664	17,846
Advertising and promotion	1,690,800	1,623,250	1,649,157	(25,907)
Trade shows and FAM/Site visits	130,400	118,255	110,162	8,093
Special promotions	706,450	959,189	940,113	19,076
General and administrative	739,352	773,147	604,182	168,965
Contributions to Baton Rouge Sports Foundation	95,000	95,000	95,000	-
Debt service:				
Interest expense	12,900	12,900	12,454	446
Principal retirement	33,800	33,800	33,800	-
Capital outlay	16,000	16,000	12,064	3,936
Allocation of occupancy tax	150,000	150,000	148,195	1,805
Total expenditures	<u>5,509,920</u>	<u>5,635,061</u>	<u>5,419,320</u>	<u>215,741</u>
<b><u>EXCESS OF REVENUES (UNDER)</u></b>				
<b><u>OVER EXPENDITURES</u></b>	<u>(34,420)</u>	<u>45,364</u>	<u>386,821</u>	<u>341,457</u>
<b><u>FUND BALANCE</u></b>				
Beginning of year	<u>4,678,727</u>	<u>4,678,727</u>	<u>4,678,727</u>	<u>-</u>
End of year	<u>\$ 4,644,307</u>	<u>\$ 4,724,091</u>	<u>\$ 5,065,548</u>	<u>\$ 341,457</u>

**VISIT BATON ROUGE**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND - BP GRANTS**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>				
BP grants	\$ -	\$ 102,869	\$ 102,869	\$ -
Total revenues	<u>-</u>	<u>102,869</u>	<u>102,869</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>				
Advertising and promotion	50,000	152,869	152,869	-
Total expenditures	<u>50,000</u>	<u>152,869</u>	<u>152,869</u>	<u>-</u>
<b><u>EXCESS OF EXPENDITURES OVER REVENUES</u></b>				
	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
<b><u>FUND BALANCE</u></b>				
Beginning of year	50,000	50,000	50,000	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER SUPPLEMENTAL INFORMATION



**VISIT BATON ROUGE**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO THE CHIEF EXECUTIVE OFFICER**  
**YEAR ENDED DECEMBER 31, 2019**

**Agency Head Name:** Paul Arrigo

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary, including incentive and bonus	\$ 189,419
Benefits-insurance	38,615
Defined contribution retirement plan	18,942
Benefits-other	6,368
Car allowance	11,149
Vehicle rental	10,200
Cell phone	1,684
Dues	19,829
Reimbursements	757
Travel	3,000
Registration fees	3,880
Conference travel	9,532
Special meals	2,254
Other	325
Total	<u>\$ 315,954</u>

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

To the Board of Directors  
Visit Baton Rouge  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Visit Baton Rouge (VBR) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise VBR's basic financial statements, and have issued our report thereon dated June 19, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VBR's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VBR's internal control. Accordingly, we do not express an opinion on the effectiveness of VBR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VBR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 19, 2020

**VISIT BATON ROUGE**  
**REPORT TO MANAGEMENT**

**DECEMBER 31, 2019**



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

June 19, 2020

Visit Baton Rouge  
Baton Rouge, Louisiana

We have audited the financial statements of Visit Baton Rouge (VBR) for the year ended December 31, 2019, and have issued our report thereon. As part of our audit, we evaluated the system of internal accounting control to the extent we considered necessary as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VBR's internal control.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

During the course of our audit, management made us aware of misappropriation that they identified and reported to the Legislative Auditor. Our comments and suggestions regarding those matters are set forth below. This letter does not affect our reports dated June 19, 2020, on the financial statements of VBR and VBR's internal control over financial reporting.

**2019-1                      Theft of Public Assets**

Condition:                      Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking anything of economic value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An instances, or likely instances, of misappropriation were identified by VBR and reported to the Legislative Auditor which are presented in attachment A to this letter.

Recommendation:              We recommend VBR continue their prosecution of these matters with the appropriate authorities.

*View of Responsible Official:*

*VBR is fully committed to protecting public resources. We will continue to report instances of misappropriation and refer them to law enforcement. The departments will also strengthen internal controls and monitoring in the areas where a misappropriation occurred. Immediate action has been taken to recover public monies as of the date of this letter.*

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank VBR staff for their cooperation with us during the performance of the audit.

This report is intended solely for the information and use of VBR and its management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Postlethwaite & Netterville*

**Visit Baton Rouge**  
**Attachment A to Management Letter**

The following 18 elements of the instances of alleged or potential misappropriation are presented below:

<b>Element of Finding</b>		<b>Alleged or Potential Misappropriation - Theft of Public Assets</b>
1	A general statement describing the fraud or misappropriation that occurred.	VBR discovered five counterfeit checks on its February 2020 monthly bank statement during their internal review.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Theft of public funds
3	The amount of funds or approximate value of assets involved.	\$6,927
4	The department or office in which the fraud or misappropriation occurred.	VBR Operating Account
5	The period of time over which the fraud or misappropriation occurred.	February 6, 2020
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Theft occurred from non employees of VBR
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	No formal charges at the time of the report.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	Theft occurred from non employees of VBR
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	N/A
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes, Police report was filed with the East Baton Rouge Parish City Police.
11	What is the status of the investigation at the date of the auditor's/accountant's report?	The investigation is still ongoing as of the report date.
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Not Known
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	The investigation is still ongoing as of the report date.
14	Has restitution been made or has an insurance claim been filed?	The Bank provided restitution on April 6, 2020 in the amount of \$6,927
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	The Louisiana Legislative Auditor was notified, as well as the District Attorney.
	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	Yes
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	N/A
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	VBR continues to monitor the bank account daily and work with the Bank and the Authorities.



June 19, 2020

Ms. Amanda Strebeck, Director  
Postlethwaite & Netterville  
8550 United Plaza Blvd., Suite 1001  
Baton Rouge, LA 70809

Dear Amanda,

As per our discussion this date, on March 2, 2020 while reviewing the February bank statement, Paul Arrigo noted some discrepancies in (5) checks relating to the "Payee". After further investigation with Jessica Coffing and myself, it was determined by us that these checks were fraudulent totaling \$6,927. We immediately notified the following:

J.P. Morgan Chase Bank  
District Attorney's Office  
Baton Rouge City Police  
Postlethwaite & Netterville  
Legislative Auditor's Office

During the month of March, I was in constant correspondence with Detective Joseph R. Blount, who was assigned to the case by the Chief of Police. Detective Blount remained diligent with the bank and other police departments in the cities where the checks were cashed (Harrahan, Slidell, and New Orleans).

On Wednesday, April 8, 2020, I received an email from J.P. Morgan Fraud Department notifying me that the claim has been resolved. On April 6, 2020, a credit of \$6,927.00 was made into Visit Baton Rouge's bank account.

Should you have any questions, please feel free to contact me at 382-3580.

Sincerely,

A handwritten signature in cursive script that reads "Lauralyn L. Maranto".

Lauralyn L. Maranto  
Vice President of Administration



AN AUTHENTIC LOUISIANA EXPERIENCE