

CAPITAL AREA FINANCE AUTHORITY

DECEMBER 31, 2024

BATON ROUGE, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Capital Area Finance Authority
Baton Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities which include each of the individual programs, FutureVision, LLC, the unrestricted fund, and the 2024 combined financial statements of the Capital Area Finance Authority (the Authority) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Capital Area Finance Authority as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Audit of the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Capital Area Finance Authority's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2025, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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 the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 16, 2025

CAPITAL AREA FINANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024
(UNAUDITED)

The Management’s Discussion and Analysis (“MD&A”) of the Capital Area Finance Authority’s (the “Authority”) (formerly known as the East Baton Rouge Mortgage Finance Authority) financial performance presents a narrative overview and analysis of the Authority’s financial activities for the year ended December 31, 2024, as well as commentary of general market trends, market conditions and the Authority’s mortgage loan origination. This document focuses on the year ended December 31, 2024, activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this MD&A in conjunction with the Authority’s audited financial statements for the year ended December 31, 2024, presented beginning on page 15.

The Authority’s basic financial statements include the totals of the similar accounts of each of the Authority’s various bond programs and FutureVision, LLC, as well as the Authority’s Unrestricted Fund. Since the assets of each individual bond series are only pledged by the respective bond resolution and trust indenture to the respective individual bond series, the totaling of the accounts, including the assets therein, is for convenience purposes only and does not indicate that the combined assets are available in any manner other than what is provided for in the respective resolutions and indentures relating to each separate bond series. However, for the purpose of this analysis, we will refer to the combined totals in order to assist the reader in understanding the overall financial condition of the Authority.

A commentary of general economic trends, interest rate market conditions, as well as an overview of financial statements, an analysis of the Authority’s activities for the year ended December 31, 2024, current economic factors, the Authority’s 2025 budget and the Authority’s mortgage lending programs are presented over the following pages.

- Mortgage loan interest rates have been high but relatively stable in part as a reaction to the tapering of the Federal Reserve Interest Rate changes. A tight inventory of homes in our borrower’s price range, has created a tight housing market causing new loan production to stall in the TBA programs.
- There was sufficient improvement in the bond market for the Authority to issue tax-exempt mortgage revenue bonds for first mortgages in December 2023. At the end of 2024 there was approximately \$24 million of the \$40 million 2023 Series Bond Issue remaining. The origination period which initially ended in October 2024 was extended.
- In 2015 and 2016 the Authority issued taxable bonds to refund several prior bond issues. The purpose of the refundings was to lower the bond interest expense and to release surplus assets to the Unrestricted Fund. In each refunding the majority of the Mortgage-Backed Securities which had been the collateral for the prior issues were transferred to the new taxable bond issues as collateral for the new bonds. Excess Mortgage-Backed Securities and surplus cash from the prior issues were transferred to the Authority’s Unrestricted Fund.
- In 2020 the Authority issued \$5 million in taxable bonds to refund the 2009A1-A4 bonds and to provide funds for reimbursing the Authority’s Unrestricted Fund for soft second mortgage loans made in connection with the CAFA TBA Gold Lending Program.
- In 2021 the Authority issued \$5 million in taxable bonds to reimburse the Authority for soft second mortgage loans and to provide additional funds for continuing the soft second mortgage program in connection with the CAFA TBA Gold Lending Program.

- In 2022 the Authority issued \$6.5 million in taxable bonds to reimburse the Authority for soft second mortgage loans and to provide additional funds for continuing the soft second mortgage program in connection with the CAFA TBA Gold Lending Program. As of December 31, 2024, \$1.967 million of Bond Proceeds remained. The program continued into 2025. However, production has been slow.
- In 2023 the Authority issued \$40 million in Tax-Exempt Single Family Mortgage Revenue Bonds. The proceeds of this issue will provide new first mortgage loans to first-time low and moderate income home buyers.

FINANCIAL HIGHLIGHTS

2024 Mortgage Loan Principal Paydowns for Mortgage Loans Made with Mortgage Revenue Bond Proceeds

Conventional market mortgage loan interest rates remained stable but higher than the previous year due to increases of the short-term rates by the Federal Reserve. Paydowns in Mortgage-Backed Securities in bond issues initiated prior to 2023 increased in 2024 resulting in \$3.545 million in total mortgage loan paydowns as compared with \$2.234 million in 2023. Paydowns are expected to relatively stable in 2025. Approximately \$16.032 million of new first mortgage loans were originated during 2024 using the 2023 Series mortgage revenue bond proceeds.

2024 New Mortgage Loan Originations

- **Capital Advantage Program - To Be Announced (“TBA”) Program**

In September of 2014, the Authority initiated the Capital Advantage Program (“CAP”) a TBA Turnkey Mortgage Loan Program with Raymond James as Hedging Agent and US Bank as the Master Servicer. Loans are originated and funded by approved banks and mortgage companies and the loans are then purchased by US Bank. Down payment assistance is provided as a grant by a marginal increase in the first mortgage loan rate. The Authority earns a one-time fee at the time of the pooling of the loans into an MBS. The first pooling was conducted in February of 2015.

In 2024, US Bank, on behalf of the Authority, pooled \$0.00 in loans and the Authority did not earn any one-time fees due to unfavorable pricing in the market as compared to \$195,395 in loans and \$0.00 in one-time fees in 2023.

Mortgage rates remained high during 2024 which made selling the Mortgage-Backed Securities (“MBS”) at a premium nearly impossible as MBS with higher interest rates have more early prepayment risk and are not as attractive to investors.

- **Purchase Advantage Powered by CAFA (PAC) Program - TBA Program**

In August of 2015, the Authority initiated the LA CAFA TBA Mortgage Loan Program in cooperation with GMFS Lending. During 2017 the name was changed at the request of GMFS to “Purchase Advantage Powered by CAFA (“PAC”). This program utilizes licensed financial institutions comprised of community banks, credit unions and mortgage brokers who choose to broker conventional and government mortgage loans. GMFS Lending serves as the loan credit underwriter, funder, and Master Servicer for this program. Stifel Nicolaus & Company acquired George K. Baum during 2019 and now acts as hedging agent and Program Administrator for this

program. Down payment assistance can be provided as a grant by a marginal increase in the first mortgage loan rate and selling the first mortgage loan at a premium. DPA can also be provided using a soft second mortgage using the 2022 bond issue proceeds. The Authority earns a one-time fee at the time of the closing of the loans.

GMFS resumed offering the PAC Program in May of 2023.

During 2024, \$18.989 million in loans were closed and the Authority earned \$94,951 in one-time fees (of which \$27,723 was earned in CEA Parishes) as compared to \$29,000 in fees and \$6.299 million in loans in 2023. Half of the fees earned in CEA Parishes are shared with the Parish or with the local Home Mortgage Authority, if any.

- **CAFA Gold Program - TBA Program**

In April 2017 CAFA initiated the CAFA Gold Program as a pilot program in cooperation with Freddie Mac. This program is a market rate program with down payment and closing cost assistance in the form of a soft second mortgage (a second lien on the property that has no interest and no payments which is forgiven over a period of 7 or 10 years). Freddie Mac Seller/Serviceers in this program are allowed to originate and service their own loans. For 2018 Assurance Financial was the only Seller/Serviceer originating loans in this program.

Gateway Mortgage Group was added as a Seller/Serviceer in 2019. Eustis Mortgage Co. was added in 2021. Landhome was added in 2024. CAFA earns a one-time fee for these loans at the closing of the first mortgage. See the chart below for a year-over-year comparison of new loans and fees. The Authority also earns on the loans an ongoing fee from Freddie Mac on the Conventional loans and an ongoing fee from the Master Serviceers on the Government loans, both of which fees are calculated on the outstanding balance of the first mortgage loans. These ongoing fees are used to pay debt service on the 2020B, 2021 and 2022 Bond Issues. When the bonds are completely retired those ongoing fees will be paid into the Authority's Unrestricted Fund.

- **Cooperative Endeavor Agreement Parishes (CEA Parishes)**

In addition, the Authority has CEAs with 53 Parishes outside the nine parish Capital Area which allows mortgage loan originations utilizing the Authority's TBA programs. In exchange for the approval of each parish to allow the Authority to originate loans therein, CAFA shares 50% of the one-time fee generated from loans made in each particular CEA Parish.

Originations and Fees for all of CAFA's TBA Programs*
2024 as Compared to 2023

	2024	2023	Increase (Decrease)
Assurance:			
First Mortgages	\$ -	\$ -	\$ -
Total Fees (including CEA Fees)	\$ -	\$ -	\$ -
Fees from CEA parishes	\$ -	\$ -	\$ -
Gateway:			
First Mortgages	\$ 2,901,200	\$ 19,736,837	\$ (16,835,637)
Total Fees (including CEA Fees)	\$ 14,506	\$ 98,835	\$ (84,329)
Fees from CEA parishes	\$ 6,713	\$ 35,994	\$ (29,281)
Eustis:			
First Mortgages	\$ 420,025	\$ 248,320	\$ 171,705
Total Fees (including CEA Fees)	\$ 2,100	\$ 1,242	\$ 858
Fees from CEA parishes	\$ 2,100	\$ 926	\$ 1,174
US Bank:			
First Mortgages	\$ -	\$ 195,395	\$ (195,395)
Total Fees (including CEA Fees)	\$ -	\$ -	\$ -
Fees from CEA parishes	\$ -	\$ -	\$ -
Landhome:			
First Mortgages	\$ 872,089	\$ -	\$ 872,089
Total Fees (including CEA Fees)	\$ 4,360	\$ -	\$ 4,360
Fees from CEA parishes	\$ 3,176	\$ -	\$ 3,176
GMFS:			
First Mortgages	\$ 18,989,263	\$ 6,299,270	\$ 12,689,993
Total Fees (including CEA Fees)	\$ 94,951	\$ 29,658	\$ 65,293
Fees from CEA parishes	\$ 27,723	\$ 10,650	\$ 17,073
Total Fees:			
First Mortgages	\$ 23,182,577	\$ 26,479,822	\$ (3,297,245)
Total Fees (including CEA Fees)	\$ 115,917	\$ 129,735	\$ (13,818)
Fees from CEA parishes	\$ 39,712	\$ 47,570	\$ (7,858)

2015 Taxable Single Family Mortgage Revenue Refunding Bonds Series 2015

In September 2015, the Authority conducted a Taxable Refunding of Single-Family Mortgage Revenue Bonds in the amount of \$20.02 million in Bonds. The Authority collapsed multiple prior single-family bond issues. The proceeds of the 2015 Taxable Refunding Bonds were used to call the bonds of the prior single-family issues. The majority of the MBS collateral from the prior issues was transferred to the 2015 Taxable issue as collateral for the 2015 Bonds. The remaining MBS and residual cash from the refunded prior issues was transferred to the Unrestricted Fund. The 2015 Taxable Refunding released approximately \$1.6 million in residual cash and approximately \$2.816 million in MBS from the restricted refunded bond issues to the Unrestricted Fund. The average bond interest rate was reduced from approximately 5.90% on the refunded bonds to approximately 2.90% for the new bonds.

The \$22,000 of "Deferred Inflow of Resources" represents legacy bond premiums from certain refunded prior single-family bond issues which were refunded using the 2015 taxable bond issues proceeds.

2016 Taxable Single Family Mortgage Revenue Refunding Bonds Series 2016

In November 2016, the Authority conducted a Taxable Refunding of Single-Family Mortgage Revenue Bonds in the amount of \$9.725 million in Bonds. The Authority collapsed two prior single-family issues. The proceeds of the 2016 Taxable Refunding Bonds were used to call the bonds of the prior single-family issues. The majority of the MBS collateral from the prior issues was transferred to the 2016 Taxable issue as collateral for the 2016 Bonds. The remaining MBS and residual cash from the refunded prior issues were transferred to the Unrestricted Fund. The 2016 Taxable Refunding released approximately \$301,125 in residual cash and approximately \$191,316 in MBS from the restricted refunded bond issues to the Unrestricted Fund. The average bond interest rate was reduced from approximately 4.674% on the refunded bonds to approximately 2.375% for the new bonds.

The \$40,000 of "Deferred Inflow of Resources" represents legacy bond premiums from certain refunded prior single-family bond issues which were refunded using the 2016 taxable bond issues proceeds.

2020 Taxable Single Family Mortgage Revenue Refunding Bonds Series 2020AB

In September 2020, the 2020AB Series Bonds were issued in the amount of \$5,000,000. The issuance had a dual purpose: (1) refund the outstanding 2009A1-A4 Series Bonds, and (2) provide funds to reimburse the Authority for Unrestricted funds used to make soft second mortgage loans under the CAFA Gold Lending program.

The 2009A Bonds had several series of bonds, 2009 A-1, 2009 A-2, 2009 A-3 and 2009 A-4. Series A-1 through A-3 are senior bonds which are collateralized by the first mortgages in the MBS. The Series A-4 bonds were subordinate bonds for which the Authority used its general obligation bond rating to issue. The A-4 bond proceeds were used to make the second mortgages associated with this bond issue. This was the first bond issue in which the Authority began to make second mortgages rather than outright grants to provide the down payment and/or closing cost assistance to the first-time homebuyers. The initial second mortgages to be made with the 2009 A-4 bond proceeds were hard second mortgages which had a 10-year term and a 6% interest rate. The purpose of these hard seconds was to "monetize" an available federal tax credit for first-time home buyers. A total of \$2 million was issued for the Series A-4 bonds, however only approximately \$450,000 was made in hard second mortgage loans. A legal opinion was given, and bond holder approval was obtained, to use the remaining A-4 proceeds to also make soft second mortgages once the time period for the tax credits had expired. The soft second mortgages have no interest and no payments. A portion of the principal amount was forgiven each month over the five-year term. Since the Series A-4 bonds were subordinate and secured not only by the proceeds of the hard second mortgage payments but also secured by the Authority's Capital and

Operating Account unrestricted fund balance, the remaining available proceeds from the Series A-4 bonds were used to also make a portion of the soft second mortgages that were provided to first time home buyers making first mortgage loans under the 2009GSE issue.

The MBS which had been collateral for the 2009A1-A4 Series Bonds were transferred to the 2020AB Series Bonds. Income from the former 2009A1-A4 Series MBS covers the debt service of the 2020A Series Bonds and a portion of the debt service for the 2020B Series Bonds. Additional funds for the debt service of the 2020B Series Bonds are provided by early payoffs of the soft second mortgages and the ongoing income stream from Freddie Mac and the TBA Marster Servicers, as described above. The Authority's Unrestricted Fund is also pledged to cover shortfalls, if any occur.

Taxable Single Family Mortgage Revenue Bonds Series 2021A

In February 2021 the 2021A Series Bonds were issued in the amount of \$5,000,000. The issuance had a dual purpose: (1) provide funds to reimburse the Authority for Unrestricted funds used to make soft second mortgage loans under the CAFA Gold Lending program, and (2) provide funds to continue making soft second mortgage loans in connection with the CAFA Gold Lending Program. By December 2021 all bond proceeds had been utilized and plans were underway for a 2022 issue.

Taxable Single Family Mortgage Revenue Bonds Series 2022A

In January 2022 the 2022A Series Bonds were issued in the amount of \$6,500,000. The issuance had a dual purpose: (1) provide funds to reimburse the Authority for Unrestricted funds used to make soft second mortgage loans under the CAFA Gold Lending program, and (2) provide funds to continue making soft second mortgage loans in connection with the CAFA Gold Lending Program. By December 2024 approximately \$4.333 million in bond proceeds had been utilized. The program is ongoing.

Tax-Exempt Single Family Mortgage Revenue Bonds Series 2023

In December, 2023 the Authority issued \$40 million in Tax-Exempt Single Family Mortgage Revenue Bonds. The organization period for loans began in January 2024 and will end in October 2024, unless extended. The Origination Period was extended from October 2024 to April 2025. The 2023 Series will provide first mortgage loans with down payment and closing cost assistance to low- and moderate-income first-time home buyers. As of December 31, 2024, \$23.968 million in bond proceeds remained.

2024 Adjusted Net Position

- The Authority's assets exceeded its liabilities at the close of 2024 by \$38.826 million, which represents a \$1.763 million increase from the 2023 amount of \$37.063 million.
- For the year ended December 31, 2024, the Authority had \$36,000 in net unrealized gains in the Net Increase (Decrease) in the Fair Market Value of Investments as compared to a net unrealized gain of \$375,000 in 2023.

2024 Adjusted Operating Revenues

- The Authority's adjusted revenues of \$7.706 million in 2024 (exclusive of the \$36,000 Net Increase in the Fair Value of Investments) increased by \$3.523 million as compared to adjusted revenues of \$4.183 million generated in 2023 (exclusive of the Net Decrease in the Fair Value of Investments of \$375,000).
- The Authority generated income earned on mortgage loans receivable/mortgage-backed securities of \$1.101 million in 2024 as compared with \$918,000 in 2023 - an increase of \$183,000. This increase is due in part to the addition of first mortgage loans in the 2023 Bond Issue.

- The Authority realized a \$1.832 million increase in income earned on other investments from \$708,000 in 2023 to \$2.540 million in 2024. This increase is due in part to higher interest rates on new investments which replaced matured investments in the Unrestricted Fund and earnings on the investment of the 2023 Bond Proceeds.
- The Authority Fee Income in 2024 decreased by \$37,000 from \$275,000 in 2023 to \$238,000 in 2024. This is primarily due to a decrease in the Mortgage Loan Receivable / MBS from regular and early principal payments. Authority Fees are calculated on the outstanding loan balances for those first mortgage loans made utilizing mortgage revenue bond proceeds. Authority Fees will not begin to be collected on the 2023 Bond Issue loans until after the end of the Origination Period.
- The income for 2024 from total net fees earned on the Market Rate TBA Loan Programs which combined total \$1.085 million as compared to \$1.144 million for 2023, a decrease of \$59,000 due to a decrease in first mortgage loan production on the TBA program loans during 2024. Mortgage Loan rates remained high during 2024 and home sales slowed in the TBA programs.
- The PILOT Program fees increased by \$1.771 million from \$740,000 in 2023 to \$2.511 million in 2024. Many projects that were approved in 2022 and 2023 have begun to produce income.
- The Authority had a decrease in Miscellaneous Income of \$4,000 from \$4,000 in 2023 to \$0.00 in 2024.

2024 Operating Expenses

- Interest Expense increased by \$1.805 million from \$1.105 million in 2023 to \$2.912 million in 2024 because of a net increase on the amount of bonds outstanding due to the addition of the 2023 Bonds.
- The Market Rate TBA Program Expense decreased by \$5,000 from \$25,000 in 2023 to \$20,000 in 2024 due to a decrease in fee sharing for loans made outside the Authority's nine (9) Parish footprint and an overall decrease in the volume of loans made.
- There was an increase of \$99,000 for Forgiveness of Soft Second Mortgage Loan Receivable from \$209,000 in 2023 to \$308,000 in 2024. The increase is due primarily to an increase in the number of loans reaching a point in their maturity to begin forgiveness.
- There was a decrease of \$34,000 in Operating Expenses from \$2.375 million in 2023 as compared to \$2.341 million in 2024.
- The Authority's 2024 Total Operating Expenses of \$5.852 million increased by \$1.305 million from 2023 operating expenses of \$4.547 million due primarily to the increase of Bond Interest Expense.

2024 Adjusted Net Operating Income

- Excluding the realized and unrealized gains or losses in the Net Increase/Decrease in the Fair Value of Investments for 2024 and 2023 the Authority experienced a net operating loss of \$364,000 in 2023 compared with a \$1.854 million net operating gain in 2024 due primarily to the increase receipts from PILOT Program fees.

2024 Unrestricted Fund Net Position

- As of December 31, 2024, the Authority had an Unrestricted net position of \$25.869 million (after adjusting for the unrealized gain of \$43,000) as compared with unrestricted net position of \$24.735 million as of December 31, 2023 (after adjusting of for an unrealized gain of \$280,000) representing an increase of \$1.134 million.

Authority's Bond Credit Ratings

- The Authority had a “Aaa” rating from Moody’s Investor Service (“Moody’s”) on substantially all of its separately secured series of bonds at the end of 2024.
- The 2009 GSE Bonds are rated Aa+ by Standard and Poor’s Corporation.
- In May 2002, the Authority had applied for an issuer rating from Moody’s Investor Services (“Moody’s”). Moody’s awarded the Authority an ‘A3’ issuer general obligation rating which is the current rating.

Moody’s reaffirmed the Authority’s ‘A3’ issuer general obligation rating on November 13, 2014. The “A3” rating remains the current credit rating. Moody’s included as a part of its rating report certain operating and debt ratios.

- Moody’s issued an Aaa rating to the Taxable Single Family Mortgage Revenue Refunding Bonds Series 2015.
- Moody’s issued an Aaa rating to the Taxable Single Family Mortgage Revenue Refunding Bonds Series 2016.
- Moody’s issued an Aaa rating to the Taxable Single Family Mortgage Revenue Refunding Bonds Series 2020A Bonds and an A3 rating on the 2020B Subordinate Bonds based on the Authority’s General Obligation rating.
- Moody’s issued an A3 rating of the Taxable Single Family Mortgage Revenue Bonds Series 2021A bonds based on the Authority’s General Obligation rating.
- Moody’s issued an A3 rating of the Taxable Single Family Mortgage Revenue Bonds Series 2022A bonds based on the Authority’s General Obligation rating.
- Moody’s issued an Aaa rating to the Tax-Exempt Single Family Mortgage Revenue Bonds Series 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of three sections - Management’s Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements) and the supplemental information.

Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the balance sheets; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The balance sheets (page 15) present the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating on an adjusted basis.

The statements of revenues, expenses, and changes in net position (page 16) present information showing how the Authority's net position changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows (pages 17 - 18) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

**COMBINED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2024 AND 2023
(in thousands)**

	<u>2024</u>	<u>2023</u>	<u>Change from Prior Year</u>
Cash and Cash Equivalents	\$ 31,384	\$ 13,088	\$ 18,296
Brokered Certificates of Deposit	14,741	3,070	11,671
State, U.S. Government and Agency Securities	6,627	50,340	(43,713)
Mortgage-Backed Securities	30,833	17,078	13,755
Mortgage Loan Receivable - Net	17,119	16,734	385
Lease Receivable	128	168	(40)
Accrued Interest Receivable	223	433	(210)
Note Receivable - Net	2,701	3,786	(1,085)
Prepaid Insurance and Other Assets	81	79	2
Capital Assets (Net of Accumulated Depreciation)	1,951	1,733	218
Total Assets	<u>\$ 105,788</u>	<u>\$ 106,509</u>	<u>\$ (721)</u>
Accounts Payable and Accrued Liabilities	\$ 263	\$ 232	\$ 31
Accrued Interest Payable	635	265	370
Bonds and Lines of Credit Payable - Net	66,064	68,949	(2,885)
Total Liabilities	<u>66,962</u>	<u>69,446</u>	<u>(2,484)</u>
Deferred Inflows - Related to PILOT Program	1,520	1,602	(82)
Deferred Inflows - Related to Building Lease	128	168	(40)
Deferred Inflows - Related to Refunding of Bonds	72	77	(5)
Total Deferred Inflow of Resources	<u>1,720</u>	<u>1,847</u>	<u>(127)</u>
Net Position:			
Net Investment in Capital Assets	1,951	1,733	218
Restricted *1	10,673	9,706	967
Unrestricted *2	24,482	23,777	705
Total Net Position	<u>37,106</u>	<u>35,216</u>	<u>1,890</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 105,788</u>	<u>\$ 106,509</u>	<u>\$ (721)</u>

*1 ‘Restricted net assets’ represent those net assets that are restricted and as a result are not available for general use due to the terms of the various bond trust indentures under which certain specified assets are held and pledged as security for the individual bonds of the Authority constituting its mortgage lending programs.

*2 ‘Unrestricted net assets’ are those assets for which there is not a specific limitation pledge of any of the unrestricted net assets to a specific bond issue of the Authority.

Authority Debt

- The Authority had \$66.064 million in mortgage revenue bonds on December 31, 2024, as compared to \$68.949 million in mortgage revenue bonds as of December 31, 2023, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AS OF DECEMBER 31, 2024 AND 2023

	2024 (millions)	2023 (millions)	Change from Prior Year (millions)
Mortgage Revenue Bonds	\$66,064	\$68,949	(\$2,885)
Line of Credit (FHLB of Dallas)	-	-	-
Outstanding Debt (as of December 31)	\$66,064	\$68,949	(\$2,885)

- Mortgage Revenue Bond Debt outstanding decreased by \$2.885 million as of December 31, 2024, as compared with December 31, 2023 due to payment of debt service on outstanding bonds.
- The Authority had an outstanding line of credit as of December 31, 2024, with the Federal Home Loan Bank of Dallas with a zero balance.

Accounts Payable and Accrued Interest Payable

The Authority had Accounts Payable and Accrued Liabilities and Accrued Interest Payable of \$898,000 outstanding on December 31, 2024 (of which \$635,000 is accrued interest payable on the bonds) compared with \$497,000 for December 31, 2023 – an increase of \$401,000.

Subsequent Events

- In 2018 the Authority began implementation of our Payment in Lieu of Taxes (“PILOT”) program to financially assist developers of multi-family projects that provide quality affordable housing for low- and moderate-income families. The Authority will own the land and improvements and lease it back to the developer for the term of the PILOT (usually 20 years). The Authority’s ownership allows the property to be exempt from local property tax increases for a period of time.

Projects on which construction began in 2023 and 2024, including several multi-family workforce housing developments and a warehouse distribution center are complete. In 2024 four (4) multi-family workforce housing developments and three (3) solar farms approved in 2023 began construction and are continuing. The Authority receives an upfront fee and will receive an annual Administrative Fee for the 20-year life of the PILOT agreement. In 2024 multiple new projects, mostly workforce housing developments, were approved.

- The Authority is cooperating with the Louisiana Housing Corporation’s Neighborhood Landlord Program and the Landlord Rehabilitation and Development Program, both of which assist landlords who rent to low- and moderate-income families to renovate or build new single-family or small (less than 7 units) multi-family residences that were damaged or destroyed by the devastating floods in 2016 and losses suffered in two hurricanes. The Authority is providing the interim construction financing for the landlords.
- A new issuance of Bonds in the amount of \$25 million is scheduled for mid-2025. Funds available for new first mortgages under the 2023 bond issue were exhausted in May 2025.
- In May, 2025 Moody’s downgraded all of CAFA’s “Aaa” rated mortgage revenue bond issues to “Aa1” due to a downgrade of the bond rating of the US Federal Government.

ECONOMIC FACTORS AND THE AUTHORITY’S 2025 BUDGET

The Authority’s Board of Trustees considered the following factors and indicators when the Authority adopted its 2025 Operating Budget. These factors and indicators include, but are not limited to:

- The consistently high conventional first mortgage loan interest rates expected to continue into 2025 will cause the early mortgage loans payoffs to slow. Higher first mortgage loan rates may also cause new mortgage loan production in all the TBA programs to slow causing less one-time fees for that program. However, discussions have begun to simplify the TBA Programs to make them more attractive.
- The current and future PILOT programs under development will provide the Authority with a continuing stream of income over the life of each PILOT agreement.

CONTACTING THE CAPITAL AREA FINANCE AUTHORITY

This Financial Report, including the MD&A, is designed to provide all citizens of the Capital Area Parishes, as well as the Authority’s customers and creditors (i.e., bondholders) with a general overview of the Capital Area Finance Authority’s finances and to show the Authority’s accountability for the money it receives from its bond issue proceeds and other sources. The sources include income earned on mortgage loan receivables/mortgage-backed securities, income earned on other investments and Authority fee income. If you have any questions about this report or need additional financial information, please contact:

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CAPITAL AREA FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS

AS OF DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2023)

(In Thousands)

	2009 GSE Program	2015 Program	2016 Program	Second Mortgage Program	2023 Program	FutureVision, LLC	Unrestricted Fund	2024 Combined	2023 Combined
<u>ASSETS</u>									
Cash and Cash Equivalents	\$ 1,515	\$ 105	\$ 25	\$ 2,261	\$ 15,566	\$ 93	\$ 11,819	\$ 31,384	\$ 13,088
Brokered Certificates of Deposit	-	-	-	-	11,491	-	3,250	14,741	3,070
State, U.S. Government and Agency Securities	-	-	-	-	-	-	6,627	6,627	50,340
Mortgage-Backed Securities	5,225	4,240	2,636	984	16,316	-	1,432	30,833	17,078
Mortgage Loans Receivable - Net	-	-	-	16,241	715	-	163	17,119	16,734
Lease Receivable	-	-	-	-	-	128	-	128	168
Accrued Interest Receivable	16	19	12	5	81	-	90	223	433
Notes Receivable - Net	-	-	-	-	-	-	2,701	2,701	3,786
Inter-Program Receivable (Payable)	(9)	-	-	-	-	-	9	-	-
Prepaid Insurance and Other Assets	-	-	-	-	-	7	74	81	79
Capital Assets - Net of Accumulated Depreciation	-	-	-	-	-	421	1,530	1,951	1,733
Total Assets	<u>\$ 6,747</u>	<u>\$ 4,364</u>	<u>\$ 2,673</u>	<u>\$ 19,491</u>	<u>\$ 44,169</u>	<u>\$ 649</u>	<u>\$ 27,695</u>	<u>\$ 105,788</u>	<u>\$ 106,509</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263	\$ 263	\$ 232
Accrued Interest Payable	10	10	5	40	570	-	-	635	265
Bonds Payable - Net	4,965	4,272	2,610	12,113	42,104	-	-	66,064	68,949
Total Liabilities	4,975	4,282	2,615	12,153	42,674	-	263	66,962	69,446
Deferred Inflow of Resources:									
Related to Pilot Program Fees	-	-	-	-	-	-	1,520	1,520	1,602
Related to Building Lease	-	-	-	-	-	128	-	128	168
Related to Refunding of Bonds	-	22	40	10	-	-	-	72	77
Total Deferred Inflow of Resources	-	22	40	10	-	128	1,520	1,720	1,847
Net Position:									
Net Investment in Capital Assets	-	-	-	-	-	421	1,530	1,951	1,733
Restricted	1,772	60	18	7,328	1,495	-	-	10,673	9,706
Unrestricted	-	-	-	-	-	100	24,382	24,482	23,777
Total Net Position	1,772	60	18	7,328	1,495	521	25,912	37,106	35,216
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 6,747</u>	<u>\$ 4,364</u>	<u>\$ 2,673</u>	<u>\$ 19,491</u>	<u>\$ 44,169</u>	<u>\$ 649</u>	<u>\$ 27,695</u>	<u>\$ 105,788</u>	<u>\$ 106,509</u>

The notes to the financial statements are an integral part of this statement.

CAPITAL AREA FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

(In Thousands)

	2009 GSE Program	2015 Program	2016 Program	Second Mortgage Program	2023 Program	FutureVision, LLC	Unrestricted Fund	2024 Combined	2023 Combined
<u>REVENUES:</u>									
Income Earned on Mortgage Loans									
Receivable and Mortgage Backed Securities	\$ 275	\$ 247	\$ 152	\$ 63	\$ 282	\$ -	\$ 82	\$ 1,101	\$ 918
Income Earned on Other Investments	-	-	-	15	1,773	-	752	2,540	708
Net Increase (Decrease) in the Fair Value of Investments	(107)	(7)	(61)	(21)	189	-	43	36	375
Market Rate Loan Program Fees	-	-	-	953	-	-	132	1,085	1,144
Premiums on Gold Program Mortgages	-	-	-	45	-	-	-	45	118
Interest Income - Notes and Lease Receivable	-	-	-	-	-	5	145	150	239
Authority Fee Income	-	-	-	-	-	-	238	238	275
PILOT Program Fees	-	-	-	-	-	-	2,511	2,511	740
Rental Income	-	-	-	-	-	36	-	36	37
Miscellaneous Income	-	-	-	-	-	-	-	-	4
Total	168	240	91	1,055	2,244	41	3,903	7,742	4,558
<u>EXPENSES:</u>									
Interest	123	131	63	507	2,086	-	-	2,910	1,105
Market Rate Loan Program Expenses	-	-	-	-	-	-	20	20	25
Forgiveness Amortization of Second Mortgage Loans	-	-	-	287	-	-	21	308	209
Loan Closing Expense of Second Mortgage Loans	-	-	-	-	-	-	7	7	-
Bond Issuance Costs	-	-	-	-	10	-	-	10	545
Authority Fees	40	113	85	-	-	-	-	238	275
Insurance Costs	-	-	-	-	-	-	18	18	13
Operating Expenses	3	4	5	4	-	15	2,310	2,341	2,375
Total	166	248	153	798	2,096	15	2,376	5,852	4,547
Net Income (Loss)	2	(8)	(62)	257	148	26	1,527	1,890	11
Transfers Among Programs	-	-	-	10	620	-	(630)	-	-
Net Position - Beginning of Year	1,770	68	80	7,061	727	495	25,015	35,216	35,205
Net Position - End of Year	\$ 1,772	\$ 60	\$ 18	\$ 7,328	\$ 1,495	\$ 521	\$ 25,912	\$ 37,106	\$ 35,216

The notes to the financial statements are an integral part of this statement.

CAPITAL AREA FINANCE AUTHORITY
INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

(In Thousands)

	2009 GSE Program	2015 Program	2016 Program	Second Mortgage Program	2023 Program	FutureVision, LLC	Unrestricted Fund	2024 Combined	2023 Combined
Cash Flows From Operating Activities:									
Cash Receipts for:									
Mortgage Loans and Mortgage-Backed Securities Income	\$ 275	\$ 250	\$ 152	\$ 63	\$ 202	\$ -	\$ 84	\$ 1,026	\$ 934
Notes Receivable	-	-	-	-	-	-	2,252	2,252	1,882
Collections of Second Mortgage Loans	-	-	-	66	-	-	1	67	30
Collections of Mortgage-Backed Securities	723	718	413	197	-	-	300	2,351	2,577
Income on Other Investments	-	-	-	15	2,020	-	752	2,787	709
Market Rate Loan Program Fees	-	-	-	953	-	-	132	1,085	1,144
Rental Income	-	-	-	-	-	41	-	41	41
Cash Payments for:									
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-	-	(16,316)	-	-	(16,316)	-
Funding of Notes Receivable	-	-	-	-	-	-	(992)	(992)	(1,486)
Funding of Second Mortgage Loans - Net	-	-	-	-	(715)	-	-	(715)	(292)
Interest Paid	(124)	(133)	(65)	(511)	(1,706)	-	-	(2,539)	(920)
Other Items	(45)	(119)	(92)	(5)	(10)	(12)	384	101	(1,475)
Net Cash Provided by (Used in) Operating Activities	829	716	408	778	(16,525)	29	2,913	(10,852)	3,144
Cash Flows From Capital and Related Financing Activities:									
Acquisition of Capital Assets	-	-	-	-	-	-	(255)	(255)	(45)
Net Cash Used in Capital and Related Financing Activities	-	-	-	-	-	-	(255)	(255)	(45)
Cash Flows From Investing Activities:									
Investment Purchases, Sales, and Maturities - Net	-	-	-	-	31,482	-	806	32,288	(41,429)
Net Cash Provided by (Used in) Investing Activities	-	-	-	-	31,482	-	806	32,288	(41,429)
Cash Flows From Noncapital Financing Activities:									
Proceeds from Bond Issues	-	-	-	-	-	-	-	-	42,128
Retirement of Notes and Bonds Payable	(630)	(786)	(454)	(991)	(24)	-	-	(2,885)	(2,776)
Interfund Activities	-	-	-	10	620	-	(630)	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(630)	(786)	(454)	(981)	596	-	(630)	(2,885)	39,352
Net Increase (Decrease) in Cash and Cash Equivalents	199	(70)	(46)	(203)	15,553	29	2,834	18,296	1,022
Cash and Cash Equivalents at Beginning of Year	1,316	175	71	2,464	13	64	8,985	13,088	12,066
Cash and Cash Equivalents at End of Year	\$ 1,515	\$ 105	\$ 25	\$ 2,261	\$ 15,566	\$ 93	\$ 11,819	\$ 31,384	\$ 13,088

(CONTINUED)

CAPITAL AREA FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2023)

(In Thousands)

	2009 GSE Program	2015 Program	2016 Program	Second Mortgage Program	2023 Program	FutureVision, LLC	Unrestricted Fund	2024 Combined	2023 Combined
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Net Income (Loss)	\$ 2	\$ (8)	\$ (62)	\$ 257	\$ 148	\$ 26	\$ 1,527	\$ 1,890	\$ 11
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:									
Depreciation	-	-	-	-	-	2	34	36	45
Unrealized and Realized Losses on Investments	107	7	61	21	(189)	-	(43)	(36)	(375)
Forgiveness of Second Mortgage Loans Receivable	-	-	-	287	-	-	21	308	209
CAFA Gold Program Mortgages Sold at Premium	-	-	-	(45)	-	-	-	(45)	(118)
Changes in Assets and Liabilities:									
Purchase of Mortgage Loans and Mortgage-Backed Securities	-	-	-	-	(16,316)	-	-	(16,316)	-
Collection (Funding) of Second Mortgage Loans - Net	-	-	-	66	(715)	-	1	(648)	(262)
Collections of Mortgage-Backed Securities	723	718	413	197	-	-	300	2,351	2,577
Funding of Notes Receivable	-	-	-	-	-	-	1,085	1,085	198
Other - Net	(3)	(1)	(4)	(5)	547	1	(12)	523	859
Net Cash Provided by (Used in) Operating Activities	\$ 829	\$ 716	\$ 408	\$ 778	\$ (16,525)	\$ 29	\$ 2,913	\$ (10,852)	\$ 3,144

The notes to the financial statements are an integral part of this statement.

CAPITAL AREA FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

(1) Summary of Significant Accounting Policies -

(A) Organization of Authority

The Capital Area Finance Authority (“the Authority”) was created through a Trust Indenture dated August 14, 1974, pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of East Baton Rouge Parish, Louisiana.

At the September 18, 2014 meeting of the Louisiana State Bond Commission, the Amended and Restated Capital Area Finance Authority Trust Indenture was approved. The Amended and Restated Trust Indenture changed the name of the Authority from the East Baton Rouge Mortgage Finance Authority to the Capital Area Finance Authority and changed the geographic area in which the Authority can issue bonds for public purpose projects allowed in the Public Trust Act from East Baton Rouge Parish to the nine (9) Parish Capital Region consisting of the Parishes of East Baton Rouge, Ascension, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge and West Feliciana.

The Authority's operations consist primarily of single-family mortgage revenue or refunding bond programs under which the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing and funding down payment and closing cost assistance for first-time home buyers. Under the 2009 GSE, 2015, 2016, Second Mortgage, and 2023 programs, the first mortgage loans are pooled and sold to the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) in exchange for mortgage-backed securities (MBS) on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities are collateralized by the related loans. The Authority also issues short-term convertible program notes, which are securitized by government agency securities during the interim in preparation of long-term issues. The funds for the Authority's current programs were obtained through the issuance of bonds in the following face value amounts (in thousands):

2009 GSE Program, dated November 22, 2011	\$ 25,000
2015 Program, dated September 24, 2015	\$ 20,000
2016 Program, dated November 3, 2016	\$ 9,725
Second Mortgage Program, dated September 30, 2020 (Series 2020A and Series 2020B)	\$ 5,000
Second Mortgage Program, dated February 11, 2021 (Series 2021A)	\$ 5,000
Second Mortgage Program, dated January 20, 2022 (Series 2022A)	\$ 6,500
2023 Program, dated November 28, 2023	\$ 40,000

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. Under each of its single-family mortgage revenue or refunding bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds. The President & CEO is responsible for the development of each new bond issue and loan program. Once the bond issue is closed, the President & CEO supervises the origination of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for purchase under each program, maintains computerized current records on all loans, and supervises the servicing and trustee functions for each program.

Blended Component Unit - Blended component units, although legally separate entities, are, in substance, part of an entity's operations. FutureVision, LLC was created on October 11, 2001 to serve only the Authority and is governed by management of the Authority. Its purpose is to acquire and hold capital assets. The creation of FutureVision, LLC created a financial benefit/burden relationship between the Authority and FutureVision, LLC. Management has determined that FutureVision, LLC is to be reported as a blended component unit as a proprietary fund within these financial statements.

(B) Significant Accounting Policies

Basis of Accounting - The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Fund Accounting - The proprietary funds are used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net position. The Authority follows the guidance included in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, contained in pre-November 1989 FASB and AICPA pronouncements.

Basis of Reporting - The Authority follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 establishes standards for external financial reporting for all state and local governmental entities. It requires the classification of net position in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The net position of FutureVision, LLC and the Unrestricted Fund are net investment in capital assets or unrestricted. The net positions of all other programs are substantially restricted under the terms of the various bond indentures.

Combined Totals - The combined financial statements include the totals of the similar accounts of each of the Authority’s bond programs, FutureVision, LLC, and the Authority’s Unrestricted Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs.

GASB Statement No. 31 - The Governmental Accounting Standards Board (GASB) issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires that most investments be recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market.

Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses, and changes in net position, and the amount is disclosed in the statements of cash flows as unrealized gain or losses on investments. The Authority applies the provisions of the Statement to brokered certificates of deposit, U.S. Government securities and mortgage-backed securities. The sale of these investments by the Authority is generally subject to certain restrictions as described in the individual bond indentures.

Leases - The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Disclosures relating to FutureVision, LLC's leases are included in Note 11.

Cash and Investments - GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Additional disclosures are included in Note 2.

Change in Accounting Principle – During the current year, the Authority adopted Governmental Accounting Standards Board (GASB) Statements No. 99 – *Omnibus 2022* – the portion that relates to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53, Statement No. 100 – *Accounting Changes and Error Corrections* - an amendment of GASB No. 62, and Statement No. 101 – *Compensated Absences*. These statements had no material effect on the Authority's financial statements.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

Statement of Cash Flows - For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Reclassification of Prior Year Amounts - Certain prior year balances may have been reclassified to conform to the current year presentation.

Summary Financial Information for 2023 - The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2023 from which the summarized information was derived.

(2) Cash and Investments -

The Authority recognizes all purchases of investments with a maturity of three months or less, except for short term repurchase agreements, as cash equivalents.

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

To mitigate this risk, state law requires for these deposits (of the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the Authority regardless of its designation by the financial institution in which it is deposited. As of December 31, 2024, none of the Authority's bank balance of \$31.401 million was exposed to custodial credit risk.

Statutes authorize the Authority to invest in the following types of investment securities;

- (1) Fully collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.
- (2) Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds and obligations of U.S. Government agencies that are deliverable on the Federal Reserve Systems.
- (3) Repurchase agreements in government securities in (2) above made with the 24 primary dealers that report to and are regulated by the Federal Reserve Bank of New York.
- (4) Guaranteed Investment Contracts with companies with good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2024, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AAA by taking the average of the Moody's Investors Services, Standard and Poor, and Fitch ratings. The Authority has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

The Authority has a portion of its assets as of December 31, 2024, invested in GNMA, FNMA, and FHLMC obligations, including MBS, totaling approximately \$30.833 million. GNMA is an instrumentality of the Federal government. Its obligations carry the full faith and credit of the United States of America. Neither FNMA nor FHLMC are instrumentalities of the federal government and as such do not carry the full faith and credit of the United States of America. FNMA is a federally chartered and stockholder-owned corporation. FNMA was originally established in 1938 as a United States government agency and was transformed into a stockholder-owned and privately managed corporation in 1968. FHLMC is a stockholder-owned government sponsored corporation created in 1970. The Authority's total investment in FNMA and FHLMC obligations (including MBS) as of December 31, 2024, was approximately \$4.678 million. Any potential downgrade in the credit rating of either FNMA or FHLMC could have an adverse impact on the market value of the obligations of FNMA or FHLMC (including MBS) owned by the Authority. In connection with the approximately

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

\$4.613 million of FNMA and FHLMC MBS, which the Authority has pledged to bondholders pursuant to separate trust indentures authorizing various bond issues, the asset portion of these various balance sheets could be adversely affected while the liabilities are not since the liabilities are not marked to market. However, any financial risk to the Authority is entirely mitigated since the bond indentures authorizing the Authority's bonds do not provide any acceleration of the Authority's bonded debt as a result of potential downgrade of either FNMA or FHLMC credit rating.

Interest Rate Risk

As a means of limiting its exposure to fair value losses from rising interest rates, the Authority's Interest Rate Risk Program generally restricts investments to those whose terms are no longer than the terms of the related bonds.

The Authority's programs have investments in mortgage-backed securities which have maturities that approximate the terms of the related debt. Therefore, the Authority balances its interest rate risk against the related debt. By using this method, the Authority believes that it will mitigate its interest rate risk.

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2024, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority, or collateralized by other investments pledged in the name of the Authority.

Fair Value of Financial Instruments

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

The Authority has the following recurring fair value measurements (in thousands) as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Brokered Certificates of Deposit	\$ 14,741	\$ -	\$ -	\$ 14,741
State, U.S. Government and Agency Securities	-	6,627	-	6,627
Mortgage-Backed Securities	-	30,833	-	30,833
Total Investments at Fair Value	\$ 14,741	\$ 37,460	\$ -	\$ 52,201

(3) Mortgage Loans Receivable and Mortgage-Backed Securities -

Mortgage Loans Receivable - During 2017, the Authority began the Gold Program as a pilot program in cooperation with Freddie Mac. The program is a market rate mortgage loan program with down payment and closing cost assistance in the form of a soft second mortgage (a second lien on the property that has no interest and no payments and is forgiven over a period of 5 to 10 years). The use of soft second mortgages allow for a lower mortgage rate for the homeowner. The Authority earns a one-time fee for these loans at the closing of the first mortgage, while the participating Freddie Mac mortgage loan companies originate and then service the loans. The Authority also earns excess servicing fees throughout the life of the respective first mortgage. Fees from this program are included in Market Rate Loan Program Fees in the accompanying statements of revenues, expenses, and changes in net position.

After the closing of the first mortgages in the CAFA Gold Program, the loans are sold on the secondary market for a premium, which funds a portion of the down payment and closing cost assistance to the borrowers. Premiums from this program are included in Premium on Gold Program Mortgages in the accompanying statements of revenues, expenses, and changes in net position.

Costs related to this program are capitalized and are being forgiven based upon the average lives of the underlying assets. The majority of underlying assets have “lock out” periods ranging from 2 to 5 years, during which loan forgiveness is not permitted. The remaining unamortized balance totaling \$17.119 million is classified as mortgage loans receivable on the accompanying balance sheets. During the year ended December 31, 2024, forgiveness amortization totaling \$307,519 was recorded in the accompanying statements of revenues, expenses, and changes in net position.

All of the single-family first mortgage loans are originated by participating mortgage lenders through conventional, FHA or VA programs sponsored by the mortgage lenders and are sold to the Authority without recourse. The participating mortgage lenders service the mortgage loans for the Authority and receive monthly compensation based upon the unpaid principal balance of the mortgage loans serviced.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured under special hazard policies, and supplemental mortgage trust policies for mortgagor defaults. Premiums for these policies are paid through the applicable Program's funds.

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

Mortgage-Backed Securities - As discussed in Note 1, the mortgage loans originated under certain Authority programs are pooled and sold to GNMA, FNMA, or FHLMC in exchange for mortgage-backed securities on which GNMA, FNMA, or FHLMC guarantees payment of principal and interest when due. These securities bear the following terms and interest rates:

	<u>Term</u>	<u>Pass Through Interest Rate</u>
2009 GSE Program	30 years	3.250% - 4.125%
2015 Program	30 years	4.250% - 6.625%
2016 Program	30 years	5.125% - 5.475%
Second Mortgage Program	30 years	4.875% - 7.100%
2023 Program	30 Years	6.080% - 6.260%
Unrestricted Fund	30 years	4.875% - 6.750%

The change to the mortgage-backed securities type of program was prompted by various factors including the unavailability of mortgage pool and related insurance coverage required for conventional mortgage loan programs. The guarantees by GNMA, FNMA, and/or FHLMC, which the Authority receives under this type of program, replaces the pool and related insurance coverage of the previous programs. Development of the new programs, origination of the mortgage loans and supervision of the servicing of the mortgage loans for compliance with federal mortgage bond tax laws by the Authority remain essentially the same.

(4) Changes in Capital Assets -

Capital asset activity for the year ended December 31, 2024 (in thousands):

<u>Governmental Activities</u>	<u>Balance 12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/24</u>
Capital Assets not being Depreciated:				
Land	\$ 1,006	\$ 245	\$ -	\$ 1,251
Construction in Progress	-	10	-	10
Total	1,006	255	-	1,261
Capital Assets being Depreciated:				
Furniture and Fixtures	230	-	-	230
Building and Improvements	961	-	-	961
Total	1,191	-	-	1,191
Less Accumulated Depreciation for:				
Furniture and Fixtures	194	10	-	204
Building and Improvements	271	26	-	297
Total Accumulated Depreciation	465	36	-	501
Total Capital Assets being Depreciated, Net	726	(36)	-	690
Capital Assets, Net	<u>\$ 1,732</u>	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 1,951</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Depreciation is being calculated using the straight-line method over the estimated useful life of capital assets. Depreciation expense was \$36,903 for the year ended December 31, 2024.

(5) Notes Receivable -

On April 27, 2016, the Authority entered into an \$84,000 mortgage note receivable agreement with McGlynn Corp., LLC, which is secured by land, building and improvements located in East Baton Rouge Parish. The note is payable in 360 monthly installments beginning on June 1, 2016. The interest rate is fixed at 5% for each year set forth in the Schedule of Payments. The balance at December 31, 2024, is \$71,205.

During 2018, the Authority entered into an agreement with Louisiana Housing Corporation (LHC) in which the Authority is the secondary lender to various contractors working to repair and rebuild flooded homes in the area. The contractors work under the terms of a grant issued to LHC. There are no formal defined terms between the Authority and LHC; however, payments to the Authority are generally due upon completion of construction and following occupancy of the property. As of December 31, 2024, outstanding amounts due on this agreement to the Authority is \$-0-.

On April 1, 2018, the Authority entered into a \$403,652 permanent loan agreement with Urban Restoration Enhancement Corporation, which is secured by a mortgage and assignment of leases and rents on land, building and improvements located in East Baton Rouge Parish. The note is payable in monthly installments commencing the month following completion of construction of the project and pay-off of the related construction loan using funds disbursed by the Authority. The loan was funded in February 2019 and matures on April 24, 2038. The interest rate is fixed at 4.25% for each year set forth in the Schedule of Payments. The balance at December 31, 2024 is \$320,194.

On May 23, 2019, the Board of Trustees authorized a line of credit to the East Baton Rouge Redevelopment Association (Build Baton Rouge) for property acquisition and redevelopment totaling \$300,000. The line of credit was later increased to \$865,000 effective October 7, 2019. Each draw on the line of credit is secured by a separate promissory note and mortgage. Each note is payable in 36 monthly interest-only installments, with one final installment of all unpaid principal and interest due at the maturity. As of December 31, 2024, outstanding amounts due to the Authority totaled \$865,000.

On June 2, 2020, the Authority entered into a note agreement with the Arts Council of Greater Baton Rouge (the "Arts Council") in order to finance construction of a new arts center. The original amount available was \$2,400,000 and was based on estimated cost of construction. The note is payable in monthly installments of principal and interest and is secured by a continuing security interest in any and all monies deposited into the Art Council's Capital Campaign Deposit Account. Each principal payment shall be equal to 90% of all contributions made to the Capital Campaign of the Arts Council. Funding began in January 2021 and the note matures on December 31, 2025. The interest rate is fixed at 3% for each year set forth in the Schedule of Payments. There are no undisbursed amounts under this agreement as of December 31, 2024, and the balance at December 31, 2024 is \$691,205.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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On August 28, 2023, the Authority entered into a \$200,000 loan agreement with Capital Renaissance International School, which is secured by a continuing security interest in any and all monies deposited into the Capital Renaissance International School's Appropriation Account. The balance of the note was payable on December 31, 2023 and was collected in full on March 1, 2024. The note does not accrue interest. The balance at December 31, 2024 is \$-0-.

On March 8, 2024, the Authority entered into a take-out commitment agreement with a borrower and Louisiana Housing Corporation (LHC) for 6640 Glen Oaks Drive in which the Authority has agreed to provide construction financing. At the conversion date, Louisiana Housing Corporation (LHC) is to pay-off or pay-down the construction loan bearing an interest rate per annum (0.0%) and to extend permanent financing to the borrower. Payments to the Authority are generally due upon completion of construction and following occupancy of the property. As of December 31, 2024, outstanding amounts due to the Authority is \$149,741.

On December 8, 2023, the Authority entered into a take-out commitment agreement with Scotlandville Community Development Corporation (borrower) and Louisiana Housing Corporation (LHC) for 10487 Avenue E in which the Authority has agreed to provide construction financing. At the conversion date, Louisiana Housing Corporation (LHC) is to pay-off or pay-down the construction loan bearing an interest rate per annum (4.0%) and to extend permanent financing to the borrower, Scotlandville Community Development Corporation. Payments to the Authority are generally due upon completion of construction and following occupancy of the property. As of December 31, 2024, outstanding amounts due to the Authority is \$150,615.

On October 25, 2024, the Authority entered into a \$150,000 loan agreement with Capital Renaissance International School, which is secured by a continuing security interest in any and all monies deposited into the Capital Renaissance International School's Appropriation Account. The repayment of the note was commencing on December 1, 2024 with a rate of five percent (5%) per annum until the note is paid in full. The note shall be repaid in: (a) fifty-nine consecutive, equal, monthly installments of principal and interest equal to two thousand eight hundred thirty and 69/100 dollars (\$2,831) or (b) one final installment of all of the remaining principal and accrued interest outstanding under this note, if any, on or before November 1, 2029. The balance at December 31, 2024 is \$147,794.

On October 1, 2024, the Authority entered into a note agreement with Big River Economic and Agricultural Development Alliance in order to finance the renovations of the 4th St Food Court in Baton Rouge. The original amount available was \$500,000 and was based on estimated cost of construction. The note is payable in monthly installments of principal and interest and is secured by a continuing security interest in any and all monies deposited into the Big River Economic and Agricultural Development Alliance Capital Campaign Deposit Account. Each principal payment shall be equal to 90% of all contributions made to the Capital Campaign of the Big River Economic and Agricultural Development Alliance. Funding began in November 1, 2024 and the note matures on September 30, 2026. The interest rate is fixed at 6% for each year set forth in the Schedule of Payments. There are no undisbursed amounts under this agreement as of December 31, 2024, and the balance at December 31, 2024 is \$500,000.

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Allowances for uncollectible notes receivable are based upon historical trends and the periodic aging and write-off of notes receivable. As of December 31, 2024 the allowance for uncollectible notes receivable is \$203,000.

The Schedule of Payments is as follows (in thousands):

<u>Year Ended</u>	<u>Amount</u>
December 31, 2025	\$ 1,903
December 31, 2026	548
December 31, 2027	50
December 31, 2028	53
December 31, 2029	52
Thereafter	298
	<u>2,904</u>
Less Allowance for Uncollectible Notes Receivable	<u>(203)</u>
	<u><u>\$ 2,701</u></u>

(6) Bonds Payable -

The net proceeds obtained from the bond issues are used to establish funds authorized by the Bond Trust Indentures to purchase or fund eligible mortgage loans, secured by first and second mortgage liens on single family owner-occupied residences, or to purchase GNMA, FNMA, and/or FHLMC mortgage-backed securities from qualified mortgage lenders accepted for participation in the programs by the Authority.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans and mortgage-backed securities acquired, all revenues and collections with respect to such loans and securities and all funds established by the Indenture, together with all the proceeds generated therefrom. Additionally, the Second Mortgage Program Bonds are secured by and payable from an irrevocable pledge of the Authority's money and securities or other investments in the Unrestricted Fund and from interest-only revenue streams received by the Authority from Freddie Mac or the Servicer in connection with First Mortgage Loans and certain principal payments on forgivable Second Mortgage Loans when the borrowers failed to satisfy the conditions of forgiveness.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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On December 28, 2023, the Authority issued \$40,000,000 of bonds in the Single-Family Mortgage Revenue Bonds Series 2023 for the purposes of providing first mortgage loans to low and moderate-income first-time home buyers.

Outstanding bonds payable consist of the following at December 31, 2024 (in thousands):

2009 GSE Program (Escrow bond), due 2042, bearing interest at 2.32% payable monthly	\$ 4,965
2015 Program, due 2038, bearing interest at 2.90% payable monthly	4,272
2016 Program, due 2038, bearing interest at 2.38% payable monthly	2,610
Second Mortgage Program, due serially and term from 2040 through 2043, bearing interest at 2.25% to 4.50% payable monthly	12,113
2023 Program, due serially and term from 2025 through 2054, bearing interest at 3.60% to 6.50% payable monthly	40,000
Plus unamortized bond premium	2,104
Total - 2023 Program	<u>42,104</u>
Total Bonds - Net at December 31, 2024	<u><u>\$ 66,064</u></u>

The bonds are subject to early redemption provisions as described in the Bond Trust Indentures at redemption prices equal to the principal amounts of the bonds redeemed plus accrued interest to the applicable call dates.

A summary of changes in debt during the year ended December 31, 2024 (in thousands), is as follows:

Balance - January 1	\$ 68,949
Repayments and Maturities	(2,885)
Proceeds from Issuance of Bonds	-
Balance - December 31	<u><u>\$ 66,064</u></u>

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Scheduled principal payments for the years subsequent to December 31, 2024, are as follows (in thousands):

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Thereafter</u>	<u>Total</u>
2009 GSE Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,965	\$ 4,965
2015 Program	-	-	-	-	-	4,272	4,272
2016 Program	-	-	-	-	-	2,610	2,610
Second Mortgage							
Program	480	495	540	560	625	9,413	12,113
2023 Program	320	350	365	380	400	38,185	40,000
	<u>\$ 800</u>	<u>\$ 845</u>	<u>\$ 905</u>	<u>\$ 940</u>	<u>\$ 1,025</u>	<u>\$ 59,445</u>	<u>63,960</u>
Plus Unamortized Premium							<u>2,104</u>
Total Outstanding							<u>\$ 66,064</u>

Scheduled interest payments for the years subsequent to December 31, 2024, are as follows (in thousands):

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Thereafter</u>	<u>Total</u>
2009 GSE Program	\$ 115	\$ 115	\$ 115	\$ 115	\$ 115	\$ 1,470	\$ 2,045
2015 Program	124	124	124	124	124	1,023	1,643
2016 Program	62	62	62	62	62	544	854
Second Mortgage							
Program	996	982	953	944	918	6,087	10,880
2023 Program	2,281	2,269	2,256	2,242	2,227	46,324	57,599
	<u>\$ 3,578</u>	<u>\$ 3,552</u>	<u>\$ 3,510</u>	<u>\$ 3,487</u>	<u>\$ 3,446</u>	<u>\$ 55,448</u>	<u>\$ 73,021</u>

The Authority has a line of credit with the Federal Home Loan Bank of Dallas. As of December 31, 2024, the Authority has not drawn on the line of credit and the balance is zero.

(7) Deferred Inflows of Resources -

The Individual Programs and Unrestricted Fund Balance Sheets report a separate section for deferred inflows of financial resources. Deferred inflows of resources represent an acquisition of a net position that applies to future periods and so will not be recognized in an inflow of resources until that time.

The Authority has deferred inflows of resources that are a result of the refunding of the 2004A, 2006A and 2009A programs. The net carrying amount exceeded the reacquisition price of the old debt by a total of \$118,386. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. At December 31, 2024, the unamortized balance is \$71,733.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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The Authority has deferred inflows of resources that are a result of FutureVision, LLC's lease agreement with a tenant. In accordance with GASB Statement No. 87, a lease receivable is recorded at the present value of lease payments expected to be received during the lease term. This amount is also reported as a deferred inflow of resources and amortized over the lease term. At December 31, 2024, the unamortized balance is \$127,970.

The Authority has deferred inflows of resources that are a result of the receipt of up-front payment in lieu of taxes ("PILOT") fees. Refer to Note 10 for further discussion on the Authority's revenue from PILOT agreement fees.

During the year ended December 31, 2022, the Authority received a \$900,000 fee relating to the Howell Place agreement which covers PILOT assistance and consulting over the life of the agreement. This amount is reported as a deferred inflow of resources and amortized over the remaining term of the PILOT agreement. At December 31, 2024, the unamortized balance is \$765,000.

During the year ended December 31, 2023, the Authority received a \$830,000 fee relating to the Joor Place agreement which covers PILOT assistance and consulting over the life of the agreement. This amount is reported as a deferred inflow of resources and amortized over the remaining term of the PILOT agreement. At December 31, 2024, the unamortized balance is \$754,545.

(8) Operating Expenses -

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended December 31, 2024, payments to the Authority's Board members were as follows:

Board Member

Anthony Gamino	\$ 600
Dennis Blunt	3,400
Domoine Ruthledge	1,000
Justin Gaudet	3,200
Blaine Grimes	5,000
Russell Mosely	3,000
Sharon Perez	3,200
Valerie Shexnayder	3,000
Lauren Crump	<u>3,400</u>
Total	<u><u>\$ 25,800</u></u>

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

(9) Authority Fees -

Beginning with the 1992 Programs and continuing until the 2016 Program, the Authority instituted an authority fee which is paid to the Unrestricted Fund by the individual programs. The Unrestricted Fund recognizes authority fee income related to the fees paid by the individual programs. The fee income received by the Unrestricted Fund is currently being used to provide the upfront funds required

CAPITAL AREA FINANCE AUTHORITY
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DECEMBER 31, 2024

of the Authority's annual programs in order to finance such things as costs of issuance of bonds, subsidizing lower income mortgagors with waivers of discount points and providing down payment assistance to mortgagors. The actual fees paid by each program vary in accordance with the provisions of the respective program's indenture agreement. Authority fee income recognized by the Unrestricted Fund and Authority fee expense recognized by the individual programs are disclosed separately in the accompanying statements of revenues, expenses, and changes in net position.

(10) PILOT Programs -

The Authority has entered into multiple payment in lieu of taxes ("PILOT") agreements with various companies and local taxing authorities. Each arrangement includes an act of transfer of property and improvements agreement and a ground and building lease agreement. Each company transfers all rights, title, and interest in the associated property to the Authority in order to take advantage of the Authority's tax-exempt status. As part of these agreements, the companies receive several benefits, including 100% ad valorem tax exemptions on future property improvements and a freeze on current ad valorem taxes. Also, the companies may receive sales taxes exemptions on purchases of construction materials purchased during the construction of their project. Under the lease agreements, the Authority leases the land and buildings back to the companies. The companies agree to make certain lease payments and payments in lieu of taxes (PILOT) to the appropriate taxing authorities. At all times during the term of the leases, the companies shall be entitled to all of the tax attributes of ownership, including the right to claim depreciation or cost recovery deductions, the right to claim the low-income housing tax credit, and the right to amortize capital cost and to claim any other federal or state tax benefits. Pursuant to the terms of the leases, the companies pay an upfront fee of \$20,000 to the Authority and an annual administrative fee to the authority on or before January 31 of each year. Also, some PILOT agreements have a onetime upfront payment of the administrative/consulting fee versus an annual payment. The upfront payment is set up as deferred inflows of resources and amortized into income over the term of the PILOT agreement. See Note 7.

The terms of each PILOT agreement in place at December 31, 2024 are as follows:

Project	Annual PILOT Payment (Ad Valorem)	Annual Rent Payment	Lease Termination Date	Annual CAFA Administrative Fee	Early Termination Payment
La Playa	\$50,400	\$0	12/31/2039	\$5,000 + 3% Annual Increase	\$1,000
Valencia Park:			6/30/2071		\$1,000
10/16/2020 to 12/31/2043	\$583	\$1		\$5,000 + 3% Annual Increase	
1/1/2044 to 6/30/2071	100% of Ad Valorem Tax Due	\$20,000		\$5,000	
Sales Tax PILOT - One time payment of 25% of the sales tax due on materials due the year following substantial completion of the project.					
GCHP-Elysian III:	\$1,685	\$0	12/31/2035	\$ 7,106 + 3% Annual Increase	\$1,000
Sales Tax PILOT - One time payment of 25% of the sales tax due on materials due the year following substantial completion of the project.					

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Project	Annual PILOT Payment (Ad Valorem)	Annual Rent Payment	Lease Termination Date	Annual CAFA Administrative Fee	Early Termination Payment
Capstone at Scotlandville:			12/31/2120	\$10,500 + 3% Annual Increase	\$1,000
12/1/2021 to 12/31/2041	\$6,768	\$1			
1/1/2042 to 12/31/2120	100% of Ad Valorem Tax Due	\$25,000			
Sales Tax PILOT - One time payment of 25% of the sales tax due on materials due the year following substantial completion of the project.					
The Reserve at Howell Place:			12/31/2044	\$5,000 + 3% Annual Increase	\$1,000
12/31/2022 to 12/31/2042	\$1,791	\$0			
Consulting fee - One time payment of \$900,000 upon executive of the lease, for consulting services and Ad Valorem PILOT assistance.					
Sales Tax PILOT - One time payment of \$555,309 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Drakes Landing Apartments:			12/31/2043	\$25,000 + 3% Annual Increase	\$1,000
1/1/2023 to 1/1/2038	\$1,328	\$1			
1/1/2039	An amount equal to the Millage rate multiplied by 0.200 and by the fair market value of the project	\$1			
1/1/2040	An amount equal to the Millage rate multiplied by 0.400 and by the fair market value of the project	\$1			
1/1/2041	An amount equal to the Millage rate multiplied by 0.600 and by the fair market value of the project	\$1			
1/1/2042	An amount equal to the Millage rate multiplied by 0.800 and by the fair market value of the project	\$1			
1/1/2043 and thereafter	An amount equal to the Millage rate multiplied by 1.000 and by the fair market value of the project.	\$25,000			
Sales Tax PILOT - One time payment of 25% of the sales tax due on materials due the year following substantial completion of the project.					
Amazon:			12/31/2034	\$100,000	\$1,000
12/31/2024 to 12/31/2034	\$310,750	\$100			
School Enhancement Payment - annual payment equal to the full amount of the annual PILOT Savings that would otherwise be payable to the School Board, estimated to be \$618,750.					

(CONTINUED)

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

Project	Annual PILOT Payment (Ad Valorem)	Annual Rent Payment	Lease Termination Date	Annual CAFA Administrative Fee	Early Termination Payment
The Reserve at Joor Place:			12/31/2045	\$5,000 + 3% Annual Increase	\$1,000
12/31/2024 to 12/31/2045	\$5,558	\$0			
Consulting fee - One time payment of \$830,000 upon execution of the lease, for consulting services and Ad Valorem PILOT assistance.					
Sales Tax PILOT - One time payment of \$450,000 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Motor City Apartments:			12/31/2062	\$12,980 + 3% Annual Increase	\$1,000
12/31/2022 to 12/31/2042	\$3,693	\$1			
12/31/2043 to 12/31/2062	100% of Ad Valorem Tax Due	\$25,000			
Sales Tax PILOT - One time payment of \$172,372 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Denham Townhomes:			12/31/2044	\$25,000 + 3% Annual Increase	\$1,000
6/30/2023 to 12/31/2044	\$1,043	\$0			
Sales Tax PILOT - One time payment of \$226,544 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Cypress At Ardendale Phase 1:			6/30/2045	\$13,565 + 3% Annual Increase	\$1,000
6/1/2023 to 6/30/2045	\$100	\$0			
Sales Tax PILOT - One time payment of \$269,858 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Prairie Ronde Solar Farm:			12/31/2039	\$23,643 - Approx. 9% Annual Decrease	\$1,000
1/1/2023 to 12/31/2039	\$449,821 - Approx. 4% Annual Decrease	\$0			
Sales Tax PILOT - One time payment of \$1,109,830 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Oxbow Solar Farm:			12/31/2042	\$43,721 - Approx. 10% Annual Decrease	\$1,000
12/6/2021 to 12/31/2042	\$677,123 - Approx. 4% Annual Decrease	\$0			
Sales Tax PILOT - One time payment of \$1,947,243 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
Villa St. Francis Baton Rouge:			4/30/2044	\$5,480.50 + 3% Annual Increase	\$1,000
4/19/2023 to 4/30/2044	\$500	\$0			
Sales Tax PILOT - One time payment of \$12,511 of sales tax rebate on construction materials, due 30 days following substantial completion of the project.					
YMCA:			12/31/2029	\$20,000	\$1,000
12/31/2024 to 12/31/2029	\$100	\$0			

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

During the year ended December 31, 2024, one-time upfront fees, recurring administrative fees and sales tax exemption payments associated with the PILOT programs totaling \$2,510,743 were recorded in the accompanying statements of revenues, expenses, and changes in net position.

There are no fixed assets recorded on the books of the Authority in relation to these agreements because the purpose of these agreements is for the ad valorem tax savings to the participating companies.

(11) Leases -

The Authority follows GASB Statement No. 87, *Leases*, for recording leases. The statement requires a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable and deferred inflow of resources are measured at the present value of the lease payments expected to be received during the lease term. Effective March 1, 2020, Future Vision, LLC began leasing land and a building to a tenant under an operating lease for a term of 3 years. The lease was subsequently extended for 5 years through February of 2028. At December 31, 2024, the cost of the land and building on lease was \$437,241, with accumulated depreciation of \$15,774 recorded for a carrying cost of \$421,467.

Future payments included in the measurement of the lease receivable and deferred inflows of resources are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2025	\$ 40	\$ 5	\$ 45
2026	40	5	45
2027	40	5	45
2028	8	1	9
	<u>\$ 128</u>	<u>\$ 16</u>	<u>\$ 144</u>

(12) Commitments -

The Capital Area Finance Authority promotes economic development in the parish through its community grants program for non-profit organizations. The program provides grant funds and capital funds to be used for projects by non-profit organizations that advance the Authority's mission in increasing home ownership. Grants are awarded to organizations and agencies within East Baton Rouge Parish for use in East Baton Rouge Parish. At December 31, 2024, the Authority had no outstanding grants for the 2024 fiscal year.

(13) Transfers Among Programs -

Transfers among programs generally consist of nonrecurring transfers associated with (1) the initial issuance of bonds, (2) transfers to the unrestricted fund of remaining fund assets of closed funds once bonds are redeemed, (3) balances in the cost of issuance accounts, and (4) transfers of unrestricted assets for the purchase of capital assets or to supplement operating expenses.

CAPITAL AREA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024

(14) Schedule of Compensation, Benefits and Other Payments to President & CEO -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Mark Drennen, President & CEO, for the year ended December 31, 2024:

Salary	\$ 468,491
Benefits - Health Insurance	24,940
Benefits - Retirement	14,055
Mileage and Parking Reimbursement	21
Conference Registration Fees	770
Conference Travel and Meals	5,972
Meals Reimbursement	400
	<hr/>
	\$ 514,649
	<hr/>

(15) Employee Benefits - Health Insurance and Simple IRA -

The Authority has a health insurance plan, administered by Blue Cross Blue Shield of Louisiana, which pays 100% of the premium for all employees and their families. In addition to the health insurance, the Authority has a Simple IRA plan for all employees which provides matching of employee contributions of up to 3% of the employee's annual salary and maximum employee contribution of \$15,500 per employee with an additional \$3,500 catch-up contribution for employees 50 and older, per IRS limits. The Authority contributed \$29,177 to the plan in 2024.

(16) Current Accounting Pronouncements -

The following statements of the Governmental Accounting Standards Board will be effective for years subsequent to Capital Area Finance Authority's fiscal year 2024:

1. Statement No. 102 – *Certain Risk Disclosures* – (2025)
2. Statement No. 103 – *Financial Reporting Model Improvements* (2025)
3. Statement No. 104 – *Disclosure of Certain Capital Assets* (2025)

Management is currently evaluating the effects of the new GASB pronouncement.

(17) Subsequent Events -

The Authority evaluated subsequent events and transactions for potential recognition or disclosure in the finance statements through June 16, 2025, the date which the financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Capital Area Finance Authority
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 (*Government Auditing Standards*), the financial statements of the business-type activities which include each of the individual programs, FutureVision, LLC, the unrestricted fund, and the 2024 combined financial statements of the Capital Area Finance Authority (the Authority) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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 the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 16, 2025

CAPITAL AREA FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2024

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	<u> </u> Yes	<u> x </u> No
• Significant deficiencies identified?	<u> </u> Yes	<u> x </u> None Noted

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> x </u> No
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B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

None

CAPITAL AREA FINANCE AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2024

A. Internal Control Over Financial Reporting

None

B. Compliance and Other Matters

Finding 2023-01: Bank Account Undercollateralized

Criteria:

Louisiana law requires deposits over \$250,000, the FDIC insured limit, to be secured by collateral.

Condition:

At December 31, 2023, the Authority had a savings account held at a local financial institution with a bank balance of \$1,404,095. The balance in excess of \$250,000 was not collateralized.

Cause:

The Authority opened the bank account in 2023 and inadvertently did not set up an agreement with the bank to collateralize balance in excess of \$250,000 (the FDIC insured limit).

Effect:

Because there was not a collateral agreement in place to collateralize the account balance in excess of \$250,000 (the FDIC insured limit), \$1,154,095 of the Authority's account balance at December 31, 2023 was exposed to custodial credit risk.

Recommendation and Corrective Action:

We recommended and the Authority implemented procedures to monitor their bank account balances more closely and take appropriate steps to set up a pledged collateral agreement with institutions for bank account balances in excess of \$250,000. In 2024, the Authority obtained a pledged collateral agreement with the institution for the account in question.

Management's Response:

While it is Management's position that Louisiana law does not impose the same collateralization requirements on CAFA as it does on the state or its political subdivisions, the full amount of the savings account should have been collateralized because as a matter of sound business practices and consistent with arrangements with other financial institutions, CAFA requires full collateralization of its accounts. CAFA's other depositories fully collateralize CAFA's funds on deposit with them. CAFA has taken steps to remedy this noncompliance with CAFA's standard business practices and the account is now fully collateralized.

CAPITAL AREA FINANCE AUTHORITY

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2024

BATON ROUGE, LOUISIANA

Independent Accountant's Report
on Applying Agreed-Upon Procedures
For the Year Ended December 31, 2024

To the Board of Directors
Capital Area Finance Authority
Baton Rouge, Louisiana

To the Louisiana Legislative Auditor,

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2024 through December 31, 2024. Capital Area Finance Authority's ("the Authority") management is responsible for those C/C areas identified in the SAUPs.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2024 through December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers. – **No exceptions noted.**

- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit. – **No exceptions noted.**
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit. – **No exceptions noted.**
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation. – **No exceptions noted.**
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period. – **No exceptions noted.**
- D. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account. Randomly select two deposit dates for each of the 5 bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered. – **No exceptions noted.**
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No exceptions noted.**
 - iii. Trace the deposit slip total to the actual deposit per the bank statement. – **No exceptions noted.**
 - iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer). – **No exceptions noted.**
 - v. Trace the actual deposit per the bank statement to the general ledger. – **No exceptions noted.**

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **No exceptions noted.**
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and – **No exceptions noted.**
 - ii. Observe that finance charges and late fees were not assessed on the selected statements. – **No exceptions noted.**
- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to inspection). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny. – **No exceptions noted.**

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Denham Springs, Louisiana
June 16, 2025