

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2017



EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2017

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

TABLE OF CONTENTS

December 31, 2017

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	11
Statement of Activities	A-1	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A-2	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-3	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-4	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	A-5	16
Proprietary Funds:		
Statement of Net Position	A-6	17
Statement of Revenues, Expenses, and Changes in Net Position	A-7	18
Statement of Cash Flows	A-8	19
Notes to Financial Statements	A-9	20
Required Supplementary Information:		
General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	33
Mortgage Finance Authority (MFA) Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-1	34

Gustav/Ike Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-2	35
Office of Community Development (OCD) – CDBG/HOME Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-3	36
Other Supplementary Information		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	C	37
Schedule of Expenditures of Federal Awards	Schedule 1	38
Notes to the Schedule of Expenditures of Federal Awards		39
SPECIAL INDEPENDENT AUDITORS' REPORTS		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		41
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		43
Schedule of Findings and Questioned Costs		46
Summary of Findings and Questioned Costs		47
Schedule of Prior Year Findings and Questioned Costs		48



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **EAST BATON ROUGE REDEVELOPMENT AUTHORITY** (Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the East Baton Rouge Community Development Entity, LLC (CDE), which represents 6 percent, 6 percent, and 52 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CDE, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and other information on pages 4 through 10 and Exhibits B through B-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

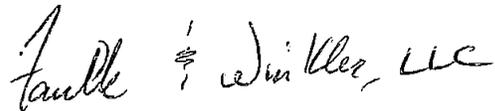
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in Exhibit C and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Exhibit C is required by LA R.S.24: 513, as amended, while the Schedule of Expenditure of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement of Federal Awards*.

The supplementary information in Exhibit C is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the supplementary information in Exhibit C and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the **EAST BATON ROUGE REDEVELOPMENT AUTHORITY'S**, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Faulk & Miller, LLC". The signature is written in a cursive style with a small vertical line separating the two names.

Certified Public Accountants

Baton Rouge, Louisiana
June 4, 2018

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The East Baton Rouge Redevelopment Authority (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2017. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2017, the Authority experienced an increase in governmental revenues (56%) relative to the prior year, while governmental expenses decreased (66%) from the prior year. The business-type revenues increased (43%) from the prior year primarily due to a increase of tax sales redemptions.

The major financial highlights for 2017 are as follows:

Government-wide financial statements

- The Authority's total net position at year-end for its combined Governmental and Business-Type Activities was \$7.4 million.
- 2017 revenues in excess of expenses resulted in an increase to net position of approximately \$95,000 for its combined Governmental and Business-Type Activities.

Fund financial statements

- The Authority's grant and contribution revenue increased from the prior year due to new grants awarded in 2017, which included a matching contribution from the City-Parish.
- The East Baton Rouge Community Development Entity, LLC (CDE), a blended component unit of the Authority, helping the Authority to deploy the New Market Tax Credits, had minimal activity, as previously awarded allocations were exhausted in 2012.
- The Authority's general fund's operation reported a surplus of approximately \$358,000 for 2017 as a result of general fund revenues and net transfers in exceeding operating expenses. This surplus demonstrates that the Authority operated within its available revenues. This mode of operation prevented further depletion the general fund that had occurred in prior years. The general fund balance was approximately \$1,049,000 at December 31, 2017.

USING THIS ANNUAL REPORT

The Authority's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year, and enhance the Authority's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Fund financial statements start on page 13. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

The Authority's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly presented in all material respects. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Authority as a Whole

The financial statements of the Authority as a whole begin on page 11. The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and its activities in a way to determine if the Authority is in better condition, compared to the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Authority's net position and related changes. The Authority's financial health, or financial position, can be measured by its net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Authority's operations are divided into two kinds of activities:

Governmental activities – consist of the general fund and special revenue funds. The general fund accounts for unrestricted revenue sources as well as general and operational expenses. The special revenue funds account for receipts and expenditures of grant programs funds which are restricted for certain programs or project. These are considered governmental funds because the activities are funded through public sources such as taxes and grants.

Business-type activities – consist of the Land Acquisition Program and the Community Development Entity, LLC Funds which accounts for the activities of acquiring property and placing that property into viable development

At December 31, 2017, the Authority's net position was \$7.4 million, of which \$5.4 million is unrestricted. Restricted net position is reported separately to show legal constraints from legislation that limits the Authority's ability to use that net position for day-to-day operations.

The analysis of the primary government focuses on the net position and change in net position of the Authority's governmental activities and business-type activities is as follows:

East Baton Rouge Redevelopment Authority
 Statements of Net Position
 December 31, 2017 and 2016
 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,177	\$ 1,019	\$ 459	\$ 226	\$ 1,637	\$ 1,245
Property acquisition costs	-	-	4,740	4,856	4,740	4,856
Loans receivable	1,285	1,308	-	-	1,285	1,308
Capital asset	4	14	-	-	4	14
Total assets	\$ 2,466	\$ 2,341	\$ 5,200	\$ 5,082	\$ 7,665	\$ 7,423
Current liabilities	\$ 206	\$ 14	\$ 16	\$ 61	\$ 222	\$ 75
Internal balance	(78)	315	78	(315)	-	-
Total liabilities	128	329	94	(254)	222	75
Net Position						
Net investment in capital assets	4	14	-	-	4	14
Restricted	248	-	1,785	1,938	2,034	1,938
Unrestricted	2,086	1,998	3,321	3,398	5,407	5,396
Total net position	2,338	2,012	5,106	5,336	7,444	7,348
Total liabilities and net position	\$ 2,466	\$ 2,341	\$ 5,200	\$ 5,082	\$ 7,665	\$ 7,423

As indicated in the table above, the assets of the Authority's Governmental Activities consist primarily of cash, loans receivable, and capital assets. While the loans and capital assets offer longer-term value to the Authority, they do not provide a source of readily available liquidity. The business-type activities' assets include land banking inventory and tax sale certificates which, when transferred or sold, can be recycled into other redevelopment activities, or used for operations, depending on the assets' initial funding source constraints. The internal balances are derived from the payment of fees associated with the issuance of New Market Tax Credits and represent unearned revenue to the governmental activities and prepaid costs to the business-type activities.

Net position of the Authority is a result of the accumulation of revenues in excess of expenses. The unrestricted portion of the net position represents amounts available to meet future obligations of the Authority. Restricted net position represents those net resources that are constrained for use according to the terms of the resource providers.

Net position of the Authority's governmental activities increased by 16%, or \$325,000, during 2017. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$2.1 million in unrestricted net position of governmental activities represents the cumulative results of operations since the Authority's inception.

The changes in net position are discussed later in this analysis. The net position of the Authority's business activities decreased by 4%, or \$230,000, during 2017.

The results of 2017 and 2016 operations for the primary government as reported in the Statement of Activities, are as follows:

East Baton Rouge Redevelopment Authority
Statements of Activities
For the years ended December 31, 2017 and 2016
(in thousands)

	Governmental		Business-Type		Total Primary	
	2017	2016	2017	2016	2017	2016
Revenues:						
Grants and contributions	\$ 456	\$ 161	\$ -	\$ -	\$ 456	\$ 161
New Market Tax Credit Fees	203	227	120	84	323	311
Other	61	88	-	-	61	88
Total revenues	<u>720</u>	<u>476</u>	<u>120</u>	<u>84</u>	<u>840</u>	<u>560</u>
Expenses:						
Payroll and benefits	174	169	-	-	174	169
Asset management fee and structuring fee	119	-	215	162	334	162
Legal and professional	91	115	50	4	141	119
Assistance to other entities	-	838	21	219	21	1,057
Facilities, supplies, and other	65	198	9	10	74	208
Total expenses	<u>449</u>	<u>1,320</u>	<u>296</u>	<u>395</u>	<u>745</u>	<u>1,715</u>
Increase in net position before transfers	271	(844)	(176)	(311)	95	(1,155)
Transfers in	54	19	-	(19)	54	-
Transfers out	-	-	(54)	-	(54)	-
Increase (decrease) in net position	325	(825)	(230)	(330)	95	(1,155)
Beginning net position	<u>2,013</u>	<u>2,838</u>	<u>5,336</u>	<u>5,666</u>	<u>7,349</u>	<u>8,504</u>
Ending net position	<u>\$ 2,338</u>	<u>\$ 2,013</u>	<u>\$ 5,106</u>	<u>\$ 5,336</u>	<u>\$ 7,444</u>	<u>\$ 7,349</u>

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Authority's Most Significant Funds

The fund financial statements provide more detailed information about the Authority's most significant funds- not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. Some funds may be required by state law or by bond covenants.

The Authority currently has five funds among two broad categories of fund types:

Governmental Fund Types

- General fund accounts for unrestricted revenue sources and as well as general and operational expenditures. This fund is considered to be a governmental fund type, meaning the cost of its activities are funded through public sources such as taxes, grants, and general fee assessments.
- MFA, Gustav/Ike, and Office of Community Development (OCD) funds are considered to be special revenue funds, and account for the receipt and expenditures of grant programs funds which are restricted for certain programs or projects.

Proprietary Fund Types

- Land Acquisition Program fund - an enterprise fund which accounts for all of the activity of acquiring property and placing that property into viable developments. This fund is considered to be a proprietary fund type, meaning, the cost of its activities are funded through self-generated fee-for service revenues.
- Community Development Entity, LLC (the CDE) - an enterprise fund which accounts for all the activity of the CDE, a blended component unit of the Authority. This fund is also considered to be a proprietary fund type.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Authority's budgetary funds.

GOVERNMENTAL AND PROPRIETARY FUND BUDGETARY HIGHLIGHTS

Governmental Funds

Governmental fund balances represent the net available resources for spending and general fund balances often serve as a government's operating reserves. As the Authority completed 2017, its general fund reported a fund balance of \$1,049,242. The general fund experienced an operating surplus (or net increase in fund balance) of \$247,000 in 2017 demonstrating the ability to operate within the restraints of current revenue. Revenues of the governmental funds increased during 2017 when compared to 2016 due to a new award with matching contributions by the City-Parish. Additionally, the Authority's operations have been reduced substantially resulting in decreased expenditures of the general fund and other governmental funds.

The major governmental funds' operating results compared to budget are presented on pages 33-36. Budgets were adjusted throughout the year to more appropriately reflect revenues and to adjust expenditures as needed. Although variances exist between actual and budgeted amounts, the budgetary comparison schedules show the Authority operated within its available means.

Enterprise Funds

The Enterprise Funds of the Authority (also reported as Business-Type Activities) account for the Land Acquisition Program and the East Baton Rouge Community Development Entity, LLC (CDE), the entity through which tax credits are issued for eligible projects. The CDE conducted minimal business during 2017 since its previously allocated tax credits were issued in previous years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the Authority had approximately \$3,600 invested in office furniture and equipment.

	Governmental Activities	
	2017	2016
Office furniture & equip	\$ 3,574	\$ 14,015
Capital assets, net of depreciation	\$ 3,574	\$ 14,015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Authority has been instrumental in the furtherance of significant development projects and programs in recent years through the issuance of New Markets Tax Credits, gap-financing loans, affordable rental loans and land-banking activities. Additionally, the Authority has and is continuing to identify more stable and long-term sources of revenue to fund operating costs. Programs and projects will progress through a variety of secured funding sources, including intergovernmental grants and self-generating revenues. Though the Authority has net position of approximately \$7.4 million, much of these resources are programmatic, illiquid, and even restricted, and therefore, unavailable for operations of the general fund.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, clients, and grantors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Christopher Tyson, 620 Florida St., Suite 110, Baton Rouge, LA 70801.

BASIC FINANCIAL STATEMENTS

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

STATEMENT OF NET POSITION

December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,136,907	\$ 231,954	\$ 1,368,861
Due from governments and other receivables	31,119	12,220	43,339
Internal balances	77,938	(77,938)	-
Land acquisition cost (inventory)	-	4,740,275	4,740,275
Loans receivable, net	1,284,857	-	1,284,857
Prepays and other assets	9,243	209,727	218,970
Investment in limited liability company	-	5,463	5,463
Capital assets:			
Depreciable, net	3,574	-	3,574
Total assets	\$ 2,543,638	\$ 5,121,701	\$ 7,665,339
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,840	\$ 15,780	\$ 19,620
Unearned revenue	202,125	-	202,125
Total liabilities	205,965	15,780	221,745
NET POSITION			
Net investment in capital assets	3,574	-	3,574
Restricted	248,331	1,785,177	2,033,508
Unrestricted	2,085,768	3,320,744	5,406,512
Total net position	2,337,673	5,105,921	7,443,594
Total liabilities and net position	\$ 2,543,638	\$ 5,121,701	\$ 7,665,339

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

Functions/Programs	Program Revenues			Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
Community development	\$ 449,015	\$ 203,410	\$ 456,115	\$ 210,510	\$ -	\$ 210,510
Business-type activities:						
Real estate acquisition and land banking	80,678	57,915	-	-	(22,763)	(22,763)
Community Development Entity	215,047	61,770	-	-	(153,277)	(153,277)
Total business-type activities	295,725	119,685	-	-	(176,040)	(176,040)
Total primary government	\$ 744,740	\$ 323,095	\$ 456,115	210,510	(176,040)	34,470
General revenues:						
Interest income				52,145	-	52,145
Other income				8,678	-	8,678
Transfers				53,934	(53,934)	-
Total general revenues				114,757	(53,934)	60,823
Change in net position				325,267	(229,974)	95,293
Net position - beginning of year				2,012,406	5,335,895	7,348,301
Net position - end of year				\$ 2,337,673	\$ 5,105,921	\$ 7,443,594

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	Major Funds				Total Governmental Funds
	General Fund	MFA Fund	Gustav/Ike Fund	OCD Fund	
ASSETS					
Cash and cash equivalents	\$ 1,113,190	\$ 23,717	\$ -	\$ -	\$ 1,136,907
Due from governments and other receivables	-	16,204	11,484	3,431	31,119
Due from other funds	144,124	35,335	51,271	-	230,730
Prepays and other	9,243	-	-	-	9,243
Total assets	<u>\$ 1,266,557</u>	<u>\$ 75,256</u>	<u>\$ 62,755</u>	<u>\$ 3,431</u>	<u>\$ 1,407,999</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,840	\$ -	\$ -	\$ -	\$ 3,840
Due to other funds	11,350	75,256	62,755	3,431	152,792
Unearned revenue	202,125	-	-	-	202,125
Total liabilities	<u>217,315</u>	<u>75,256</u>	<u>62,755</u>	<u>3,431</u>	<u>358,757</u>
FUND BALANCE					
Nonspendable	9,243	-	-	-	9,243
Restricted	248,331	-	-	-	248,331
Unassigned	791,668	-	-	-	791,668
Total fund balance	<u>1,049,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,242</u>
Total liabilities and fund balance	<u>\$ 1,266,557</u>	<u>\$ 75,256</u>	<u>\$ 62,755</u>	<u>\$ 3,431</u>	<u>\$ 1,407,999</u>

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

December 31, 2017

Total net position reported for governmental activities in the Statement of Net Position is different because:

Total fund balance - governmental fund (Exhibit A-2)	\$ 1,049,242
Loans receivables, net of allowance, are not reported on the fund basis.	1,284,857
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation.	<u>3,574</u>
Net position of governmental activities (Exhibit A)	<u>\$ 2,337,673</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended December 31, 2017

	Major Funds			OCD Fund	Total Governmental Funds
	General Fund	MFA Fund	Gustav/Ille Tax		
REVENUES					
Intergovernmental revenue	\$ 450,000	\$ -	\$ 2,684	\$ 3,431	\$ 456,115
New market tax credit fees	203,410	-	-	-	203,410
Loan repayments - principal & interest	-	79,313	-	-	79,313
Other income	13,600	-	-	-	13,600
Total revenues	667,010	79,313	2,684	3,431	752,438
EXPENDITURES					
Current function:					
Salaries and benefits	169,185	-	2,684	1,811	173,680
CDE management	119,051	-	-	-	119,051
Legal and professional	91,003	-	-	-	91,003
Supplies and other operating	22,003	3,183	18,617	-	43,803
Rent and utilities	17,327	-	-	1,620	18,947
Travel and meetings	1,423	-	-	-	1,423
Total expenditures	419,992	3,183	21,301	3,431	447,907
Excess (deficiency) of revenues over expenditures	247,018	76,130	(18,617)	-	304,531
OTHER FINANCING SOURCES (USES)					
Transfers in	130,064	-	18,617	-	148,681
Transfers out	(18,617)	(76,130)	-	-	(94,747)
Total other financing sources (uses), net	111,447	(76,130)	18,617	-	53,934
Net change in fund balance	358,465	-	-	-	358,465
FUND BALANCE					
Beginning of year	690,777	-	-	-	690,777
End of year	\$ 1,049,242	\$ -	\$ -	\$ -	\$ 1,049,242

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2017

The change in net position reported for governmental activities in the Statement of Activities is different because:

Net change in fund balance - total governmental funds (Exhibit A-4)	\$ 358,465
Governmental funds report loan principal repayments as revenues. However, in the statement of activities, the repayments are reported as a reduction in the outstanding receivable.	(27,168)
Governmental funds do not report a provision for loan losses or recovery of previously allowed for receivables.	4,411
The governmental fund reports capital outlay as expenditures. However, in the Statement of activities, the cost of those assets are depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay.	
Depreciation expense	(5,519)
The net effect of transactions involving capital assets, such as sales and disposals, are not reported in the governmental funds and result in a decrease to net position.	<u>(4,922)</u>
Change in net position of governmental activities (Exhibit A-1)	<u>\$ 325,267</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

December 31, 2017

	<u>Land Acquisition Program</u>	<u>East Baton Rouge Community Development Entity, LLC</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 166,585	\$ 65,369	\$ 231,954
Accounts receivable	-	12,220	12,220
Land acquisition cost (inventory)	4,740,275	-	4,740,275
Prepaid expense	<u>7,602</u>	<u>202,125</u>	<u>209,727</u>
Total current assets	4,914,462	279,714	5,194,176
Non-current assets:			
Investment in limited liability company	<u>-</u>	<u>5,463</u>	<u>5,463</u>
Total assets	<u>\$ 4,914,462</u>	<u>\$ 285,177</u>	<u>\$ 5,199,639</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 15,780	\$ -	\$ 15,780
Due to other funds	<u>77,938</u>	<u>-</u>	<u>77,938</u>
Total current liabilities	<u>93,718</u>	<u>-</u>	<u>93,718</u>
NET POSITION			
Restricted			
Community Development Block Grants	1,500,000	-	1,500,000
Community Development Entity	-	285,177	285,177
Unrestricted	<u>3,320,744</u>	<u>-</u>	<u>3,320,744</u>
Total net position	<u>4,820,744</u>	<u>285,177</u>	<u>5,105,921</u>
Total liabilities and net position	<u>\$ 4,914,462</u>	<u>\$ 285,177</u>	<u>\$ 5,199,639</u>

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the year ended December 31, 2017

	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	Total
OPERATING REVENUES			
Asset management	\$ -	\$ 61,656	\$ 61,656
Tax sale redemption	57,915	-	57,915
Interest	-	30	30
Total operating revenues	57,915	61,686	119,601
OPERATING EXPENSES			
Professional and legal services	50,220	-	50,220
Cost of property inventory	21,243	-	21,243
Asset management	-	215,047	215,047
Supplies and other operating	8,180	-	8,180
Miscellaneous administrative	1,035	-	1,035
Total operating expenses	80,678	215,047	295,725
Operating loss	(22,763)	(153,361)	(176,124)
NONOPERATING			
Income from investment in limited liability company	-	84	84
Loss before transfers	(22,763)	(153,277)	(176,040)
Transfers out	(53,934)	-	(53,934)
Change in net position	(76,697)	(153,277)	(229,974)
NET POSITION			
Beginning of year	4,897,441	438,454	5,335,895
End of year	\$ 4,820,744	\$ 285,177	\$ 5,105,921

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2017

	<u>Land Acquisition Program</u>	<u>East Baton Rouge Community Development Entity, LLC</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Operating revenue	\$ 57,915	\$ 61,686	\$ 119,601
Payments for land acquisition	(109,115)	-	(109,115)
Other operating payments	<u>(133,766)</u>	<u>(64,779)</u>	<u>(198,545)</u>
Net cash used by operating activities	<u>(184,966)</u>	<u>(3,093)</u>	<u>(188,059)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Tax certificate redemptions (net)	225,290	-	225,290
Distribution received from limited liability companies	<u>-</u>	<u>659</u>	<u>659</u>
Net cash provided by for investing activities	<u>225,290</u>	<u>659</u>	<u>225,949</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out to other funds	(53,934)	-	(53,934)
Increase in due to other funds	<u>40,300</u>	<u>-</u>	<u>40,300</u>
Net cash used by noncapital and related financing activities	<u>(13,634)</u>	<u>-</u>	<u>(13,634)</u>
Net increase (decrease) in cash	26,690	(2,434)	24,256
CASH			
Beginning of period	<u>139,895</u>	<u>67,803</u>	<u>207,698</u>
End of period	<u>\$ 166,585</u>	<u>\$ 65,369</u>	<u>\$ 231,954</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net loss	\$ (22,763)	\$ (153,277)	\$ (176,040)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Income from investment in limited liability companies	-	(84)	(84)
Change in operating assets and liabilities:			
Decrease in accounts receivable and prepaid assets	-	150,268	150,268
Increase in inventory	(109,115)	-	(109,115)
Increase in prepaid expenses	(7,602)	-	(7,602)
Decrease in accounts payable and accrued liabilities	<u>(45,486)</u>	<u>-</u>	<u>(45,486)</u>
Net cash used by operating activities	<u>\$ (184,966)</u>	<u>\$ (3,093)</u>	<u>\$ (188,059)</u>

Notes on Exhibit A-9 are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The East Baton Rouge Redevelopment Authority (the Authority or RDA) was created through a series of Acts of the 2007 and 2009 Louisiana Legislative sessions. It is governed by a five-member Board of Commissioners appointed by the Mayor-President of East Baton Rouge Parish, Baton Rouge Area Foundation, and Baton Rouge Area Chamber. The Authority's goals are to transform the quality of life for all citizens; foster redevelopment in disinvested areas; facilitate partnerships; create a vibrant, competitive community; and preserve and enhance a sense of place.

The Authority accomplishes these goals through funding obtained through various avenues including cooperative endeavors, grants, public-private partnerships, joint ventures, and equity participation structures with nonprofit organizations and private enterprise. Programs of the Authority include Small Business Facade, Gap Financing, Affordable Rental Housing, Land Banking, Community Health, Economic Revitalization, and the Tax Sale Certificate Purchase Program. These programs are also funded from the issuance of new market tax credits issued through the East Baton Rouge Community Development Entity, LLC (CDE).

The accounting and reporting practices of the East Baton Rouge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental entities.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Although the Authority is a legally separate entity possessing the right to levy taxes, approve its own budget and issue debt, under provisions of this Statement, the Authority is considered a *component unit* of the City-Parish government of East Baton Rouge (City-Parish), the *primary government*, since a level of control is maintained by the City-Parish through appointment of a majority of the Authority's Board and through fiscal interdependency. As a component unit, the Authority's financial statements are discretely presented in the City-Parish's financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

The Authority itself also has a *component unit*, the East Baton Rouge Community Development Entity, LLC (the CDE). The Authority owns a forty-nine percent membership interest in the CDE and three of the five members of the CDE's board of directors are also members of the Authority's board of directors. Additionally, it has been determined that a financial benefit/lender relationship exists. Accordingly, the CDE's financial statements are presented in the financial statements of the Authority as a blended component unit.

The Authority, has in previous years, received a significant amount of funding from the East Baton Rouge Mortgage Finance Authority (EBRMFA), which is considered to be a *related organization* to the City-Parish as defined by GASB Statement 14, as amended through Statement 61, due to the City-Parish appointing a majority of its Board of Directors. No presentation is required of the EBRMFA within these financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards* that are promulgated by the GASB, which is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The Authority's basic financial statements consist of the government-wide statements of all of the primary government and its component unit and the fund financial statements.

Government-Wide Financial Statements

The accompanying government-wide statements (the Statement of Net Position and Statement of Activities) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Governmental Fund Types:

The governmental fund financial statements (the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to fund current operations. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due. The governmental fund financial statements provide information about the Authority's governmental funds. The emphasis of fund financial statements is on the major governmental funds. As of December 31, 2017, the Authority has four major governmental funds as follows:

- General Fund – accounts for the general operations of the Authority that are funded through unrestricted funding sources. The General Fund is always a major fund.
- MFA Fund – accounts for the grant funding obtained from the East Baton Rouge Parish Mortgage Finance Authority.
- Gustav/like – accounts for the receipt and expenditure of Community Development Block Grant (federal) grants fund from the State Office of Community Development through the City-Parish Government of East Baton Rouge.
- Office of Community Development (OCD) CDBG HOME Fund – accounts for the allocation of the Community Planning and Development grant programs from the U.S. Department of Housing and Urban Development passed through the City of Baton Rouge and Parish of East Baton Rouge.

Proprietary Fund Types:

Enterprise Funds - Enterprise funds are presented using the economic resources measurement focus and the accrual basis of accounting. They are used to account for operations: (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Proprietary Fund Types(Continued):

The two enterprise funds reported as major funds in the fund financial statements are as follows:

- The Land Acquisition Program Fund accounts for the operation of the Land Acquisition Program in which property is obtained for viable developments.
- The East Baton Rouge Community Development Entity Fund, LLC (the CDE), a blended component unit, accounts for the operations of the CDE.

The CDE was formed on February 23, 2009, under the laws of the State of Louisiana. The CDE is a qualified Community Development Entity (CDE) that holds new market tax credits (NMTC) allocation authority to be used for investment in Qualified Active Low Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC). The CDE was granted a seventh round allocation of \$60,000,000 of NMTC authority from the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) under an Allocation Agreement dated October 30, 2009. In general, under Section 45D of the IRC, a qualified investor in a CDE can receive the NMTC to be used to reduce Federal taxes otherwise due in each year of a seven-year period.

Under the CDE's Allocation Agreement with CDFI Fund, Redevelopment Authority Fund I, LLC (Fund I), Redevelopment Authority Fund II, LLC (Fund II), Redevelopment Authority Fund III, LLC (Fund III), Redevelopment Authority Fund IV, LLC (Fund IV), and Redevelopment Authority Fund V, LLC (Fund V) have become approved "Subsidiary Allocatees" of the CDE, the managing member of the Subsidiary Allocatees. An allocation agreement places restriction on the CDE's operations, including, but not limited to, a specific geographical area of the low-income communities the CDE must serve. The CDE has been approved to serve low-income communities in East Baton Rouge Parish, Louisiana. As of December 31, 2016, the CDE has allocated its seventh round NMTC authority of \$60,000,000 to Fund I, Fund II, Fund III, Fund IV, and Fund V.

In accordance with the CDE's operating agreement, profits, losses and cash flows (subject to special allocations) are allocated 49% to East Baton Rouge Redevelopment Authority and 51% to the City-Parish.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Limited Liability Companies

The Authority accounts for its investment in the limited liability companies using the equity method of accounting. Under the equity method, the investment is recorded at cost, and increased or decreased by the Authority's share of the limited liability companies' income or losses, and increased or decreased by the amount of any contributions made or distributions received. The Authority holds a 0.01% membership interest in each of the Funds as of December 31, 2017.

The Authority regularly evaluates the carrying value of its investment in the limited liability companies. If the carrying value exceeds the estimated value derived by management, the Authority reduces its investment as an impairment loss. Fair value is measured as the remaining benefits, including NMTCs and flow-through income, to the Authority. As of December 31, 2017, an impairment loss has not been recognized.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Loans Receivable

Loans receivable represent loans advanced for programmatic and development purposes whose repayment terms are evidenced through promissory notes. The notes are carried at their outstanding principal balance less an allowance for amounts estimated to be uncollectible or forgiven. Management determines the estimated loan losses based upon the payment status of the loan, the financial condition of the project, and other economic factors.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Furniture and equipment	3-15
Computer Software	5-10

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – is the historical cost of capital assets less accumulated depreciation and related debt to acquire those assets.
- Restricted net position – is the net position that is restricted by the Authority’s creditors (for example, through debt covenants), grantors (both federal and state), and other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – amounts that cannot be spent because they are either in a nonspendable form or they are legally or contractually required to be maintained intact. Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.
- Restricted – amounts that can be spent only for specific purposes externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions of enabling legislations.
- Committed – amounts that can only be used for specific purposes determined by formal action of the Authority's board of directors, which is the Authority's highest level of decision-making authority. The Authority did not have any committed fund balance as of December 31, 2017.
- Assigned – amounts that are designated by the Authority for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt services) by the Authority’s board of directors. The Authority did not have any assigned fund balance at year-end.
- Unassigned – all amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (fund balance), the Authority’s policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with each fund's principal on-going operations. All revenues and expenses not meeting this definition are considered non-operating.

Budget Policy and Budgetary Accounting

General Budget Practices

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- State statute requires budgets to be adopted in public session for the general fund and all special revenue funds.
- Prior to the beginning of its fiscal year, the Chief Executive Officer submits to the Board a proposed annual budget for the general fund and special revenue funds. Public hearings are conducted prior to the Authority's approval to obtain comments. The operating budgets include proposed expenditures and the means of financing them.
- Appropriations (unexpended budget balances) lapse at December 31, 2017.
- Formal Budget integration (within the accounting records) is employed as a management control device. Budget amounts included in the accompanying financial statements consist of those presented in the original budget adopted by the Board and as amended by the Board.

Budgeting Basis

All governmental funds' budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are originally adopted and subsequently amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budget when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

Inventory

Land inventory is recorded at cost and represents cost incurred in the acquisition, development, and maintenance of blighted or adjudicated properties. Donated property is recorded at fair value at the date of donation if determinable and of significance. Gain or loss resulting from the sale or transfer of the related properties is reflected in the change in net position in the period of sale or transfer.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 4, 2018, which was the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

As a political subdivision of the State of Louisiana, the Authority may deposit funds in state chartered financial institutions or nationally chartered institutions with principal offices maintained within Louisiana. Under Louisiana law, all deposits must be secured against custodial credit risk through either FDIC insurance or the pledge of investment securities owned by the financial institution. Custodial credit risk is the risk that deposits in a financial institution may be unable to be recovered in the event of a bank failure.

The Authority had no exposure to custodial credit risk at December 31, 2017.

NOTE 3 - CAPITAL ASSETS

Capital assets and depreciation as of December 31, 2017, is as follows:

	2017
Computer software	\$ 5,520
Furniture and equipment	79,623
	85,143
Less accumulated depreciation	(81,569)
Capital assets, net of accumulated depreciation at year-end	\$ 3,574

For the year ended December 31, 2017, depreciation expense was \$5,519 and is reported in the Statement of Activities under the Governmental Activities within the community development function.

NOTE 4 - COMMITMENTS AND CONTINGENCY

The Authority had an amended lease effective November 1, 2015 for 800 square feet of office space through February 28, 2018. The Authority entered into a new lease in downtown Baton Rouge effective March 1, 2018 for 2,774 square feet of office space for a term of twenty-four months (March 1, 2018 – February 29, 2020) at \$3,301 per month.

Future rent payments are scheduled to occur during each respective year as follows:

Year	Amount
2018	\$ 35,710
2019	39,612
2020	6,602
	\$ 81,924

(Continued)

NOTE 4 - COMMITMENTS AND CONTINGENCY (CONTINUED)

The CDE's New Market Tax Credits are contingent on the CDE maintaining compliance with applicable sections of 45D of the IRC and its Allocation Agreement with the CDFI Fund. Failure to maintain compliance or to correct noncompliance within a specified time period could result in the CDFI Fund exercising its right to take certain actions against the CDE as provided in the Allocation Agreement. Failure to maintain compliance or to correct noncompliance within a specified time period could also result in recapture of previously claimed tax credits plus penalties and interest.

NOTE 5 - COMPENSATION OF THE BOARD OF COMMISSIONERS

The five members of the Authority's Board of Commissioners serve without compensation.

NOTE 6 - RELATED PARTY TRANSACTIONS

Asset Management Fee Income – CDE

In accordance with the operating agreements of the Funds managed by the CDE, the CDE earned asset management fees of \$61,656 for services provided to the Funds. As of December 31, 2017, \$12,220 is included in accounts receivable for these services.

Asset Management and Structuring Fee

The Authority is entitled to receive a fee of 15% of tax credit allocations awarded for eligible projects per the terms of its contract with the CDE. The fee is intended to compensate the Authority for structuring the project and for ongoing compliance monitoring. This fee is paid to the Authority from the CDE and as such, the fee is reported as revenue (or unearned revenue) to the Authority's general fund and as an expense (or prepaid expenses) to the CDE to the extent the fee is earned. The fees consist of asset management fees and structuring fees. The asset management fees are considered to be earned over a period of seven years; the compliance period required by the Internal Revenue Code (IRC). Asset management fees collected but unearned are reported as unearned revenue in the general fund, while fees paid for future compliance services are reported as prepaid expenses by the CDE. Structuring fees are considered to be payments for services rendered and are recognized upon the latter of issuance of the tax credits or request by the Authority. During 2017, asset management fees recognized as revenue by the Authority and expensed by the CDE were \$215,047.

NOTE 7 - GAP FINANCING AND RENTAL REHABILITATION LOANS RECEIVABLE

In the furtherance of its mission, the Authority issues below-market interest rate loans to multi-family housing developers and other organizations. These loans have repayment terms from 3 to 30 years and the principal of certain loans may be forgiven upon satisfactory compliance with the lending and regulatory agreements. At December 31, 2017, the Authority had nine loans outstanding to borrowers under active lending agreements. These loans are carried as an asset in the government activities financial statements at the outstanding principal amount less an allowance for amounts estimated to be forgiven or uncollectable or forgiven as determined by management.

Loans outstanding at December 31, 2017 consist of:

	2017
Principal balances outstanding	\$ 5,142,657
Less: Allowance for forgiven loans or uncollectable	(3,857,800)
	\$ 1,284,857

NOTE 8 - LAND BANKING INVENTORY

In furtherance of its mission, the Authority acquires properties for redevelopment. These properties may be acquired through transfer of adjudicated properties from the East Baton Rouge Parish government, by purchase, or through donation. While held in inventory, the Authority clears the title of the properties, maintains and develops them, and then transfers the properties to other organizations for further development, rehabilitation, or other uses. Costs to acquire and develop are carried as inventory in the Land Banking Fund's Statement of Net Position and are expensed upon transfer of the property. Routine maintenance costs are expensed as incurred. Activity of land banking inventory during 2017 was as follows:

	2017
Beginning balance (17 properties)	\$ 4,631,160
Costs incurred to acquire and maintain (8 properties)	126,699
Transferred properties (1 property)	(17,584)
Ending balance (25 properties)	\$ 4,740,275

NOTE 9 - TAX SALE CERTIFICATE PURCHASE PROGRAM

The Authority has a program whereby tax lien certificates are purchased at tax sale for those properties within East Baton Rouge Parish whose taxes are delinquent and unpaid. The tax certificates convey the right to receive redemption payments of the taxes plus interest and penalties for three years subsequent to acquisition by the Authority. Property rights convey to the purchaser of the tax certificates if the taxes are not paid within the three years. R.S. 33:4720.1051 gives the Authority preference to purchase the tax certificate at the minimum bid amount except for a higher bid submitted by a conventional mortgage holder. At December 31, 2017, the Authority did not own any tax lien certificates.

NOTE 10 - INTERFUND BALANCE

Interfund receivable and payable balances represent short-term borrowing between funds. The interfund balances of the primary government at December 31, 2017 were as follows:

Individual Fund	Receivable	Payable
Governmental-type activities:		
General Fund:		
MFA Fund	\$ -	\$ 11,350
Gustav/Ike Fund	62,755	-
Land Bank Fund	77,938	-
OCD Fund	3,431	-
Total General Fund	144,124	11,350
MFA Fund:		
General Fund	35,335	23,985
Gustav/Ike Fund	-	51,271
Total MFA Fund	35,335	75,256
Gustav/Ike Fund:		
General Fund	-	62,755
MFA Fund	51,271	-
Total Gustav/Ike Fund	51,271	62,755
OCD Fund:		
General Fund	-	3,431
Total governmental activities	230,730	152,792
Business-Type activities:		
Land Bank Fund:		
General Fund	-	77,938
Total primary government	\$ 230,730	\$ 230,730

NOTE 11 - INTERFUND TRANSFERS

Transfers were made from the MFA Fund and the Land Banking Fund to the General Fund to provide for operating costs approved by the budget. Interfund transfers at year end were as follows:

<i>Primary Government:</i>	Transfer In	Transfer Out
Governmental Activities:		
General Fund:		
MFA Fund	\$ 76,130	\$ -
Gustav/Ike Fund		18,617
Land Banking Fund	53,934	-
Total General Fund	130,064	18,617
MFA Fund:		
General Fund	-	76,130
Gustav/Ike Fund:		
General Fund	18,617	-
Total governmental activities	148,681	94,747
Business-Type activities:		
Land Bank Fund:		
General Fund	-	53,934
Total	\$ 148,681	\$ 148,681

NOTE 12 - CURRENT OPERATING ENVIRONMENT

The Authority operated with minimal staff in 2017 as part of a planned effort to operate within its available revenues after several years of operating deficits. These deficits were the result of decreases in revenues which were historically derived from non-recurring sources or through unsustainable methods of revenue generation. Additional funding has been secured for 2018 through the City-Parish government. The Authority anticipates consistent funding from various sources on a prospective basis and has hired additional staff to assist in fulfilling its mission.

NOTE 13 - ENTERGY SITE DEVELOPMENT AGREEMENT

On December 1, 2016, the Authority entered into an agreement to lease property located at 1509 Government Street, Baton Rouge, Louisiana. The Authority leased the property to a company to facilitate the development and construction of a mixed use development consisting of residential, commercial, and retail purposes. Future lease payments will be made to the Authority in an amount to be determined based on revenue generated from future developments.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

REQUIRED SUPPLEMENTARY INFORMATION

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
New market tax credits	\$ 220,400	\$ 220,391	\$ 203,410	\$ (16,981)
Intergovernmental	500,000	450,000	450,000	-
Other income	-	5,773	13,600	7,827
	<u>720,400</u>	<u>676,164</u>	<u>667,010</u>	<u>(9,154)</u>
EXPENDITURES				
Current function				
Salaries and benefits	137,060	174,178	169,185	4,993
CDE management fee	134,500	122,070	119,051	3,019
Legal and professional	591,000	83,988	91,003	(7,015)
Supplies and other operating expenses	20,555	17,620	22,003	(4,383)
Rent and utilities	18,600	18,952	17,327	1,625
Travel and meeting	500	1,366	1,423	(57)
	<u>902,215</u>	<u>418,174</u>	<u>419,992</u>	<u>(1,818)</u>
(Deficiency) excess of revenues over expenditures	(181,815)	257,990	247,018	(10,972)
OTHER FINANCING SOURCES (USES)				
Transfers in	286,624	110,679	130,064	19,385
Transfers out	-	-	(18,617)	(18,617)
	<u>286,624</u>	<u>110,679</u>	<u>111,447</u>	<u>768</u>
Net change in fund balance	<u>\$ 104,809</u>	<u>\$ 368,669</u>	358,465	<u>\$ (10,204)</u>
FUND BALANCE				
Beginning of year			<u>690,777</u>	
End of year			<u>\$ 1,049,242</u>	

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY
MORTGAGE FINANCE AUTHORITY FUND (MFA)**

Baton Rouge, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Interest income - loans	\$ 66,484	\$ 56,745	\$ 52,145	\$ (4,600)
Principal payments - loans	<u>44,147</u>	<u>32,366</u>	<u>27,168</u>	<u>(5,198)</u>
Total revenues	110,631	89,111	79,313	(9,798)
EXPENDITURES				
Current function				
Salaries and benefits	<u>3,616</u>	<u>2,937</u>	<u>3,183</u>	<u>(246)</u>
Excess of revenues over expenditures	107,015	86,174	76,130	(10,044)
OTHER FINANCING USES				
Transfers out	<u>(66,484)</u>	<u>(56,745)</u>	<u>(76,130)</u>	<u>(19,385)</u>
Net change in fund balance	<u>\$ 40,531</u>	<u>\$ 29,429</u>	-	<u>\$ (29,429)</u>
FUND BALANCE				
Beginning of year			-	
End of year			<u>\$ -</u>	

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY
GUSTAV/IKE FUND**

Baton Rouge, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Intergovernmental	\$ 920,000	\$ 2,684	\$ 2,684	\$ -
EXPENDITURES				
Current function				
Salaries and benefits	40,000	2,684	2,684	-
Affordable rental program loans	880,000	-	-	-
Other operating expenses	<u>-</u>	<u>18,618</u>	<u>18,617</u>	<u>1</u>
Total expenditures	<u>920,000</u>	<u>21,302</u>	<u>21,301</u>	<u>1</u>
Deficiency of revenues over expenditures	-	(18,618)	(18,617)	1
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>18,617</u>	<u>18,617</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (18,618)</u>	<u>-</u>	<u>\$ 18,618</u>
FUND BALANCE				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT**

Baton Rouge, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 3,431	\$ 3,431
EXPENDITURES				
Current function				
Salaries and benefits	-	-	1,811	(1,811)
Rent and utilities	-	-	1,620	(1,620)
Total expenditures	-	-	3,431	(3,431)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning of year			-	
End of year			<u>\$ -</u>	

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

OTHER SUPPLEMENTARY INFORMATION

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

For the year ended December 31, 2017

Agency Head: Gwen Hamilton, Interim CEO

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 75,000
Benefits - insurance	1,428
Cell phone reimbursement	<u>721</u>
Total	<u>\$ 77,149</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2017

Grantor/State Pass-through/ Program name/ Location of Project	CFDA Number	Grant Number	Grant Amount	Federal Expenditures
U.S. Department of Housing and Urban Development/ Community Development Block Grant Program (CDBG)				
Passed through the City-Parish Government of East Baton Rouge Parish				
*Community Development Block Grant/State's Program	14.228	Various	\$ 5,000,000	\$ 2,843,784 **
U.S. Department of Housing and Urban Development/ Community Development Block Grant Program (CDBG)				
Passed through the City-Parish Government of East Baton Rouge Parish				
Office of Community Development				
Community Development Block Grant/Entitlement Grants	14.218	B-17-MC-22-0002	368,110	2,203
U.S. Department of Housing and Urban Development/ Home Investment Partnerships Program				
Passed through the City-Parish Government of East Baton Rouge Parish				
Office of Community Development				
Housing Opportunities Made Equal (HOME)	14.239	M-17-MC-22-0204	162,800	1,228
Total federal awards expended				<u>\$ 2,847,215</u>

* Major Program

** Includes loans to subrecipients with beginning balances of \$2,841,100 for which no payments were received in 2017. Additionally, no loan disbursements were made in 2017.

See the accompanying notes to the schedule of expenditures of federal awards.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Authority's Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of the Authority. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed-through other government agencies are included on the schedule.

Basis of Accounting

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the East Baton Rouge Redevelopment Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements Cost Principals and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

NOTE 2 - RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The expenditures listed in the accompanying schedule are reported in the following funds in the Authority's financial statements. Since revenues are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenues reported. These revenues are included within the intergovernmental revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Intergovernmental revenue in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the year ended December 31, 2017	\$ 456,115
Intergovernmental revenue from non-federal resources	(450,000)
Outstanding balance of loans provided from CDBG grant at December 31, 2016 (no 2017 activity)	<u>2,841,100</u>
Total Federal Award Expenditures per schedule	<u>\$ 2,847,215</u>

NOTE 3 - ASSISTANCE TO SUBRECIPIENTS

Subrecipient assistance for 2017 consisted solely of the prior outstanding loan balances referenced in Note 2 above.

NOTE 4 - DE-MINIMIS INDIRECT COST RATE

The Authority elected not to use the 10% de-minimis indirect cost rate.

SPECIAL INDEPENDENT AUDITORS' REPORTS



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

To the Board of Commissioners
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **EAST BATON ROUGE REDEVELOPMENT AUTHORITY (AUTHORITY)** as of and for the year ended December 31, 2017, 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 4, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is included in the attached Schedule of Findings and Questioned Costs as Item 2017-1.

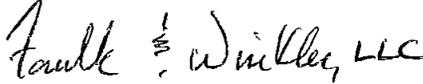
The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Authority's Board and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountants

Baton Rouge, Louisiana
June 4, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the **EAST BATON ROUGE REDEVELOPMENT AUTHORITY (AUTHORITY)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the **Authority's** major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Community Development Block Grant Program (CFDA # 14.228)

In our opinion, the East Baton Rouge Redevelopment Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

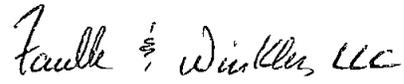
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies in accordance with the Uniform Guidance.

The Authority's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Authority's Board and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountants

Baton Rouge, Louisiana
June 4, 2018

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2017

1) Summary of Auditor's Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **None.**
- Material weaknesses: **None.**
- C) Noncompliance which is material to the financial statements: **None.**
- D) Significant deficiencies in internal control over major programs: **None.**
- Material weaknesses: **None.**
- E) The type of report issued on compliance for major programs: **Unmodified opinion.**
- F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): **None.**
- G) Identification of Major Programs:
- U.S. Department of Housing and Urban Development**
Department of Housing and Community Affairs
- 1) Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii C.F.D.A. 14.228
- H) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- I) Auditee qualified as a low-risk auditee: **No.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2017-1.**

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SUMMARY OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2017

3) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

2017-1 Violation of the Local Government Budget Act

Criteria: Louisiana Revised Statute 39:1311 (A)(1-2) requires the adoption of a budget for the general fund and all special revenue funds and that the budgets shall be amended when total revenue and other financing sources fail to meet total budgeted revenues and other financing sources by five percent or more. Additionally, it requires that the budget be amended when total expenditures and other financing uses exceed budgeted amounts by five percent or more. The budget amendments should bring the variances within the five percent acceptable range.

Condition: Revenues and transfers-in of the Authority's MFA fund were less than budgeted revenues and other financing sources by more than the five percent statutory variance. Also, expenditures and other financing uses exceeded the budgeted amount in the same manner as previously described.

Cause: The MFA fund budget was amended prior to year-end; however, the estimates adopted with the final amended budget exceeded actual amounts by more than five percent. Additionally, the budget did not consider that residual fund balance is transferred to the general fund at year-end.

Effect: The unfavorable variances of more than five percent are a violation of Louisiana Revised Statute 39:1311 (A)(1-2).

Recommendation: The Authority should review revenues and expenses at a subsequent date closer to year-end and make additional budget amendments when necessary to ensure that all variances are within the five percent acceptable range.

View of Responsible Officials: All the Authority's budgets are monitored and amended prior to year-end, and this is an isolated incident. The Authority will amend its budgets closer to year-end, taking into account residual fund balance transfers. The Office of Community Development Fund is a reimbursable grant where revenues equal expenditures, and there was no excess spending as a result. In the future, the RDA will adopt budgets in a timely manner for all new funds.

4) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

5) FINDINGS – FINANCIAL STATEMENTS

None.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2016

1) FINDINGS – FINANCIAL STATEMENTS

None.

2) FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 Sub-recipient Monitoring and Program Income
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
(Resolved)

Criteria: Uniform Guidance requires monitoring of subrecipients of federal awards. When programs funded with those awards are structured to generate program income, review of program income should be a component of the monitoring process.

Condition: The RDA has 5 loans totaling approximately \$2.9 million outstanding to developers of multi-family housing that were funded under this federal program. The RDA, as the pass-through agency of those federal funds, is responsible for monitoring the borrowers for on-going compliance with the Affordable Rental Regulations, obtaining the appropriate type of audits, and collecting any amounts that are to be repaid under terms of the loan agreements and HUD regulations. While monitoring is conducted by the RDA's program staff, collection of program income may not be occurring as designed and required by Uniform Guidance. The loan agreements generally require determination of loan payments based upon availability of cash as defined based upon audited financial statements. Determination of the amounts to be repaid is not being formally determined and documented.

Cause: The RDA staff has not received proper training and guidance on how to monitor the types of audits to be obtained and how to determine amounts that may be payable.

Effect: The RDA may not be fulfilling its obligation to collect program income from loan repayments.

Recommendation: The RDA should see that its staff receives proper training and guidance in grants management, including the CDBG Program in the determination of loan repayments due under the terms of the loan agreements.

Management's corrective action plan: The RDA will continue to seek coordination with City and State grantors to ensure proper CDBG grant program management. The RDA will create a formula for calculating loan repayments due under the terms of the loans, and the RDA will formally document this process for all CDBG loans.

Status: This finding was reported by the previous auditor and is now resolved based on action taken by the RDA during 2017.

East Baton Rouge Redevelopment Authority
620 Florida Street, Suite 110
Baton Rouge, Louisiana 70801



June 6, 2018

Scott Lazarone, Faulk & Winkler
6811 Jefferson Highway
Baton Rouge, LA 70806

Dear Scott,

We have reviewed the Draft Financial Statements and the Summary of Findings and Questioned Costs for the year ended December 31, 2017. In response to Finding 2017-1, "Violation of the Local Government Budget Act", our View of Responsible Officials and Corrective Action Plan is the following: *All RDA budgets are monitored and amended prior to year-end, and this is an isolated incident. The RDA will amend its budgets closer to year-end, taking into account residual fund balance transfers. The Office of Community Development Fund is a reimbursable grant where revenues equal expenditures, and there was no excess spending as a result. In the future, the RDA will adopt budgets in a timely manner for all new funds.*

The anticipated correction timeline for Finding 2017-01 is prior to the end of the 2018 fiscal year. I will be the point of contact for audit and corrective action matters, so please let me know if you have any questions or if an update regarding this matter is needed at any time.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tara E. Titone".

Tara E. Titone
Vice President



**INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of East Baton Rouge Redevelopment Authority and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by East Baton Rouge Redevelopment Authority (RDA) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

- b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

- c. Disbursements, including processing, reviewing, and approving.

No exceptions noted.

- d. Receipts, including receiving, recording, and preparing deposits.

No exceptions noted.

- e. Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions noted.

- g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

No exceptions noted.

- h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Items (1), (2), and (3) are addressed with RDA's employee handbook. RDA has no written policy addressing item (4).

- j. Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

RDA had no debt during the fiscal year and has no written policy that addresses debt service.

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a. Report whether the managing board met (with quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board did not meet monthly, but the board met at a frequency in accordance to RDA by-laws.

- b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes do not reference monthly budget to actual comparisons.

- c. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

RDA's minutes discussed non-budgetary financial information, including approval of contracts, accounting policies, and other financial matters.

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of RDA's bank accounts was provided by management and they represented that the listing was complete.

4. Using the listing provided by management, select all the of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

RDA has two accounts and, therefore, both were selected for testing.

- a. Bank reconciliations have been prepared;

No exceptions noted.

- b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations were prepared by a third-party accounting firm. All bank reconciliations were approved by the President/CEO, who did make deposits on occasion but was not involved with the recording of transactions. In some instances, the Finance and Economic Development Director, who is not involved with recording transactions, reviewed and signed off on the bank reconciliations.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No accounts have reconciling items outstanding for more than 6 months.

5. Obtain a listing of cash/check/money order (cash) Collection location and management's representation that the listing is complete.

Management provided a list of cash collection locations and representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

RDA has only one collection location.

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Cash receipt procedures are outlined in RDA's accounting policies and procedures manual. Based on inquiry with management, the President/CEO was responsible for opening mail, receiving collections and would provide to third-party accounting firm for recording. The deposits were sometimes brought to the bank by the President/CEO. RDA does not maintain a cash register and RDA's employees are not bonded.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Based on inquiry with management, RDA kept written forms that were filled out with each cash collection, then collections are handed over to third-party accounting firm, who records the collection and prepares the deposits. However, RDA has no formal process outlined within its policies to reconcile cash collections to the general ledger and subsidiary ledgers by a person who is not responsible for cash collections.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

There were 2 collections during the selected week. These collections were traced to the bank statement to determine lag time between collection and deposit. Neither collection was deposited within one day. One check was deposited 3 business days after the check date and the other was deposited 2 business days after the check date.

- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections

RDA has no written policy that outlines a process specifically defined to determine completeness of collections.

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Check register of disbursement for all cash accounts for the year ended December 31, 2017 was obtained. Management represented that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Purchases were not initiated using a purchase order system since RDA's policies and procedures do not utilize a purchase order system.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The President/CEO initiated all purchases for RDA and all bank statements, credit card statements, and invoices were reviewed and approved by the Vice President. However, a purchase order system was not used in initiating purchases.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All purchases tested had an approved invoice but were without a purchase order or receiving report.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

RDA's third-party accounting firm adds vendors with authorization from the Vice President and processes payments.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The President/CEO had signing authority and responsibility for initiating purchases. However, a second signature was required for purchases over \$20,000 and all purchases were recorded by a third-party accounting firm.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is maintained in a locked file cabinet and access is limited to those who do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

RDA does not have a signature stamp.

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Management provided a listing of all active credit cards and names of individuals with access to the cards. Management represented that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for

each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

During 2017, RDA maintained only one credit card.

- a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

No exceptions noted.

- b. Report whether finance charges and/or late fees were assessed on the selected statements.

No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a. For each transaction, report whether the transaction is supported by:

- i. An original itemized receipt (i.e., identifies precisely what was purchased)

One charge totaling \$13 lacked an itemized receipt.

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

One charge totaling \$13 lacked documentation of the business/public purpose.

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

RDA does not require any documentation in addition to those listed above.

- b. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c. For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the

nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The general ledger was filtered to create a listing of all travel expense reimbursements. Management represented that the ledger was complete

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

RDA's travel guidelines, which are stated within the accounting policies and procedures manual, stipulate that per diem rates are to be in accordance with the State of Louisiana's Travel Guide.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail.

Only one employee that was reimbursed travel expenses during the fiscal year.

- a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted.

- b. Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

The travel reimbursement was made in adherence to all required policies outlined in the RDA's Accounting Policies and Procedures Manual without exception.

- c. Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We created a listing of all vendors and the disbursements paid to them and selected the top five vendors who received the most disbursements throughout the fiscal year. Management has represented the listing was complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

All contracts outline the services to be provided and the amount to be paid without exception.

- b. Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

No contracts selected for testing were subject to public bid law, therefore, no comparison to legal requirements is deemed necessary.

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The Vice President provided procurement documents for three of the five contracts tested. The remaining two are for extremely specialized services that few individuals can provide, therefore, RDA did not solicit quotes. RDA renews the contract and negotiates the fees on an annual basis.

- c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

The contracts selected were not amended during the current fiscal period.

- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted.

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

We obtained a list of all employees (only 2 during 2017) and management's representation that the listing was complete.

- a. Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

One employee was paid in accordance with the salary stipulated in the compensation letter provided by RDA. RDA was unable to provide an employment contract for the other employee but it was observed in the board minutes of an executive session that the salary was approved by board members.

- b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

There were no changes made to salaries during the fiscal year.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a. Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All employees properly documented their attendance and leave.

- b. Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Electronic supervisor approval was made for all attendance and leave of the selected employees.

- c. Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No employees received termination payouts in 2017.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Employees did not complete ethics requirements for the fiscal year.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Based on inquiry with management, there were no alleged ethics violations reported to the entity during the fiscal year.

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal year.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

RDA had no outstanding debt during the fiscal year.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

RDA had no tax millage related to debt service.

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Based on inquiry with management, there have been no misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exception regarding management's representation noted.

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.

The purpose of this report is 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.

A handwritten signature in black ink that reads "Faulk & Winkler, LLC". The signature is written in a cursive style with a small ampersand between the names.

Certified Public Accountants

Baton Rouge, LA
June 4, 2018