



**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

Baton Rouge, Louisiana

**FINANCIAL STATEMENTS**

December 31, 2018

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

## TABLE OF CONTENTS

December 31, 2018

	<u>Exhibit</u>	<u>Page</u>
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		1
Management's Discussion and Analysis		4
<b>Basic Financial Statements:</b>		
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
<b>Required Supplementary Information:</b>		
General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	34
Mortgage Finance Authority (MFA) Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-1	35

Gustav/Ike Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-2	36
Office of Community Development (OCD) – CDBG/HOME Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-3	37
<b>Other Supplementary Information</b>		
Schedule of Compensation, Benefits, and Other Payments to Agency Head	C	38
Schedule of Expenditures of Federal Awards	Schedule 1	39
Notes to the Schedule of Expenditures of Federal Awards		40
<b>OTHER INDEPENDENT AUDITORS' REPORTS</b>		
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>		42
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		44
Schedule of Findings and Questioned Costs		47
Summary of Findings and Questioned Costs		48
Schedule of Prior Year Findings and Questioned Costs		49



## 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, 2018, 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, 2018, 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*

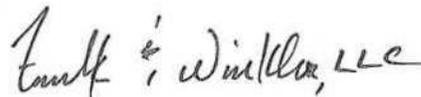
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in Exhibit C and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis 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 Expenditures 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 and the Schedule of Expenditures of Federal Awards 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 21, 2019 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.



Certified Public Accountants

Baton Rouge, Louisiana  
June 21, 2019

## 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, 2018. 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 2018, the Authority experienced an increase in governmental revenues (198%) relative to the prior year, while governmental expenses increased (385%) from the prior year. The business-type revenues decreased (26%) from the prior year.

The major financial highlights for 2018 are as follows:

#### Government-wide financial statements

- The Authority's total net position at year-end for the primary government was \$7.3 million.
- 2018 expenses in excess of revenues resulted in a decrease to net position of approximately \$136,000 for the primary government.

#### Fund financial statements

- The Authority's grant and contribution revenue increased from the prior year due to new grants awarded in 2018, which included federal cost reimbursement grants and operating support 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 operations reported a deficit of approximately \$43,000 for 2018 as a result of general fund operating expenses exceeding revenues and transfers in. The general fund balance was approximately \$1,006,000 at December 31, 2018.

### 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, 2018, the Authority's net position was \$7.3 million, of which \$5.5 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, 2018 and 2017  
 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,065	\$ 1,177	\$ 264	\$ 460	\$ 1,329	\$ 1,637
Internal balances	61	78	(61)	(78)	-	-
Property acquisition costs	-	-	4,814	4,740	4,814	4,740
Loans receivable	1,271	1,285	-	-	1,271	1,285
Capital asset	27	4	-	-	27	4
<b>Total assets</b>	<b>\$ 2,424</b>	<b>\$ 2,544</b>	<b>\$ 5,017</b>	<b>\$ 5,122</b>	<b>\$ 7,441</b>	<b>\$ 7,666</b>
Current liabilities	\$ 120	\$ 206	\$ 13	\$ 16	\$ 133	\$ 222
Net position						
Net investment in capital assets	28	4	-	-	28	4
Restricted	41	248	1,686	1,785	1,727	2,033
Unrestricted	2,235	2,086	3,318	3,321	5,553	5,407
<b>Total net position</b>	<b>2,304</b>	<b>2,338</b>	<b>5,004</b>	<b>5,106</b>	<b>7,308</b>	<b>7,444</b>
<b>Total liabilities and net position</b>	<b>\$ 2,424</b>	<b>\$ 2,544</b>	<b>\$ 5,017</b>	<b>\$ 5,122</b>	<b>\$ 7,441</b>	<b>\$ 7,666</b>

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 decreased by 1%, or \$34,000, during 2018. 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 \$2.2 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 2%, or \$102,000, during 2018.

The results of 2018 and 2017 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, 2018 and 2017  
(in thousands)

	Governmental Activities		Business-Type		Total Primary	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Grants and contributions	\$ 1,914	\$ 456	\$ -	\$ -	\$ 1,914	\$ 456
New Market Tax Credit Fees	190	203	119	120	309	323
Other	39	61	32	-	71	61
Total revenues	<u>2,143</u>	<u>720</u>	<u>151</u>	<u>120</u>	<u>2,294</u>	<u>840</u>
<b>Expenses:</b>						
Payroll and benefits	598	174	-	-	598	174
Asset management fee and structuring fee	132	119	190	216	322	335
Legal and professional	896	91	41	50	937	141
Affordable rental program loans	403	-	-	-	403	-
Travel and meetings	32	-	-	-	32	-
Facilities, supplies, and other	116	65	21	30	137	95
Total expenses	<u>2,177</u>	<u>449</u>	<u>253</u>	<u>296</u>	<u>2,430</u>	<u>745</u>
Net position before transfers	(34)	271	(102)	(176)	(136)	95
Transfers in	-	54	-	-	-	54
Transfers out	-	-	-	(54)	-	(54)
Change in net position	(34)	325	(102)	(230)	(136)	95
Beginning 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>
Ending net position	<u>\$ 2,304</u>	<u>\$ 2,338</u>	<u>\$ 5,004</u>	<u>\$ 5,106</u>	<u>\$ 7,308</u>	<u>\$ 7,444</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. 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.
- Mortgage Finance Authority (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 2018, its general fund reported a fund balance of \$1,005,863. The general fund experienced an operating deficit (or net decrease in fund balance) of \$43,000 in 2018. Revenues of the governmental funds increased during 2018 when compared to 2017 due to an increase in operating support provided by the City-Parish and other grants and contributions received. Additionally, the Authority's operations have increased substantially resulting in an increase in expenditures of the general fund and other governmental funds.

The major governmental funds' operating results compared to budget are presented on pages 34 - 37. 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 2018 since its previously allocated tax credits were issued in previous years.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, the Authority had approximately \$27,484 invested in office furniture and equipment.

	Governmental Activities	
	2018	2017
Office furniture & equip	\$ 27,484	\$ 3,574
Capital assets, net of depreciation	\$ 27,484	\$ 3,574

## **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.

### **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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 627,105	\$ 179,197	\$ 806,302
Due from governments and other receivables	422,667	8,228	430,895
Internal balances	61,109	(61,109)	-
Inventory - land acquisitions	-	4,813,845	4,813,845
Loans receivable, net	1,270,849	-	1,270,849
Prepays and other assets	14,996	72,521	87,517
Investment in limited liability company	-	4,291	4,291
Capital assets:			
Depreciable, net	27,484	-	27,484
Total assets	<u>\$ 2,424,210</u>	<u>\$ 5,016,973</u>	<u>\$ 7,441,183</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 55,095	\$ 13,242	\$ 68,337
Unearned revenue	64,919	-	64,919
Total liabilities	<u>120,014</u>	<u>13,242</u>	<u>133,256</u>
<b>NET POSITION</b>			
Net investment in capital assets	27,484	-	27,484
Restricted	41,472	1,685,927	1,727,399
Unrestricted	2,235,240	3,317,804	5,553,044
Total net position	<u>2,304,196</u>	<u>5,003,731</u>	<u>7,307,927</u>
Total liabilities and net position	<u>\$ 2,424,210</u>	<u>\$ 5,016,973</u>	<u>\$ 7,441,183</u>

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, 2018

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Functions/Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
Community development	\$ 2,177,061	\$ 190,348	\$ 1,914,324	\$ (72,389)	\$ -	\$ (72,389)
Business-type activities:						
Real estate acquisition and land banking	62,440	59,500	-	-	(2,940)	(2,940)
Community Development Entity	190,347	59,256	-	-	(131,091)	(131,091)
Total business-type activities	252,787	118,756	-	-	(134,031)	(134,031)
Total primary government	\$ 2,429,848	\$ 309,104	\$ 1,914,324	(72,389)	(134,031)	(206,420)
General revenues:						
Interest income				38,912	-	38,912
Other income				-	31,841	31,841
Total general revenues				38,912	31,841	70,753
Change in net position				(33,477)	(102,190)	(135,667)
Net position - beginning of year				2,337,673	5,105,921	7,443,594
Net position - end of year				\$ 2,304,196	\$ 5,003,731	\$ 7,307,927

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, 2018

	Major Fund	Special Revenue Funds			Total
	General Fund	MFA Fund	Gustav/Ike Fund	OCD Fund	Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 627,105	\$ -	\$ -	\$ -	\$ 627,105
Due from governments and other receivables	52,161	16,204	11,484	342,818	422,667
Due from other funds	430,417	35,067	51,273	-	516,757
Prepays and other	13,675	-	-	1,321	14,996
Total assets	<u>\$ 1,123,358</u>	<u>\$ 51,271</u>	<u>\$ 62,757</u>	<u>\$ 344,139</u>	<u>\$ 1,581,525</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 17,509	\$ -	\$ -	\$ 37,586	\$ 55,095
Due to other funds	35,067	51,271	62,757	306,553	455,648
Unearned revenue	64,919	-	-	-	64,919
Total liabilities	<u>117,495</u>	<u>51,271</u>	<u>62,757</u>	<u>344,139</u>	<u>575,662</u>
<b>FUND BALANCE</b>					
Nonspendable	13,675	-	-	-	13,675
Restricted	41,472	-	-	-	41,472
Unassigned	950,716	-	-	-	950,716
Total fund balance	<u>1,005,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005,863</u>
Total liabilities and fund balance	<u>\$ 1,123,358</u>	<u>\$ 51,271</u>	<u>\$ 62,757</u>	<u>\$ 344,139</u>	<u>\$ 1,581,525</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, 2018

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

Total fund balance - governmental fund (Exhibit A-2)	\$ 1,005,863
Loans receivables, net of allowance, are not reported on the fund basis.	1,270,849
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>27,484</u>
Net position of governmental activities (Exhibit A)	<u>\$ 2,304,196</u>

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

## 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, 2018

	Major Fund	Special Revenue Funds			Total
	General Fund	MFA Fund	Gustav/Ike Tax	OCD Fund	Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenue	\$ 708,528	\$ -	\$ 403,312	\$ 677,484	\$ 1,789,324
New market tax credit fees	190,348	-	-	-	190,348
Other grants and contributions	125,000	-	-	-	125,000
Loan repayments - principal & interest	-	52,920	-	-	52,920
Total revenues	<u>1,023,876</u>	<u>52,920</u>	<u>403,312</u>	<u>677,484</u>	<u>2,157,592</u>
<b>EXPENDITURES</b>					
Current function:					
Community development					
Legal and professional	531,887	-	-	365,461	897,348
Salaries and benefits	350,122	-	-	247,522	597,644
Affordable rental program loans	-	-	403,312	-	403,312
CDE management	131,801	-	-	-	131,801
Supplies and other operating	45,196	632	-	22,754	68,582
Rent and utilities	23,380	-	-	18,039	41,419
Travel and meetings	8,507	-	-	23,708	32,215
Capital outlay	28,650	-	-	-	28,650
Total expenditures	<u>1,119,543</u>	<u>632</u>	<u>403,312</u>	<u>677,484</u>	<u>2,200,971</u>
Excess (deficiency) of revenues over expenditures	<u>(95,667)</u>	<u>52,288</u>	<u>-</u>	<u>-</u>	<u>(43,379)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	52,288	-	-	-	52,288
Transfers out	-	(52,288)	-	-	(52,288)
Total other financing sources (uses), net	<u>52,288</u>	<u>(52,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(43,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,379)</u>
<b>FUND BALANCE</b>					
Beginning of year	<u>1,049,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,242</u>
End of year	<u>\$ 1,005,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005,863</u>

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, 2018

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)		\$ (43,379)
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.		(14,008)
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 capital outlay exceeded depreciation expense.		
Capital outlay	28,650	
Depreciation expense	<u>(4,740)</u>	<u>23,910</u>
Change in net position of governmental activities (Exhibit A-1)		<u>\$ (33,477)</u>

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

## EAST BATON ROUGE REDEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2018

	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 70,708	\$ 108,489	\$ 179,197
Accounts receivable	-	8,228	8,228
Inventory - land acquisitions	4,813,845	-	4,813,845
Due from other funds	1,078	-	1,078
Prepaid expense	7,602	64,919	72,521
Total current assets	4,893,233	181,636	5,074,869
Non-current assets:			
Investment in limited liability company	-	4,291	4,291
Total assets	<u>\$ 4,893,233</u>	<u>\$ 185,927</u>	<u>\$ 5,079,160</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 13,242	\$ -	\$ 13,242
Due to other funds	62,187	-	62,187
Total current liabilities	75,429	-	75,429
<b>NET POSITION</b>			
Restricted:			
Community Development Block Grants	1,500,000	-	1,500,000
Community Development Entity	-	185,927	185,927
Unrestricted	3,317,804	-	3,317,804
Total net position	4,817,804	185,927	5,003,731
Total liabilities and net position	<u>\$ 4,893,233</u>	<u>\$ 185,927</u>	<u>\$ 5,079,160</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, 2018

	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	Total
<b>OPERATING REVENUES</b>			
Asset management fees	\$ -	\$ 49,150	\$ 49,150
Rental income	59,500	-	59,500
Other income	-	10,000	10,000
Interest	-	106	106
Total operating revenues	<u>59,500</u>	<u>59,256</u>	<u>118,756</u>
<b>OPERATING EXPENSES</b>			
Professional and legal services	40,967	-	40,967
Cost of property inventory	16,532	-	16,532
Asset management	-	190,347	190,347
Supplies and other operating	3,959	-	3,959
Miscellaneous	982	-	982
Total operating expenses	<u>62,440</u>	<u>190,347</u>	<u>252,787</u>
Operating loss	(2,940)	(131,091)	(134,031)
<b>NONOPERATING</b>			
Income from reinvestment	-	31,773	31,773
Income from investment in limited liability company	-	68	68
Change in net position	(2,940)	(99,250)	(102,190)
<b>NET POSITION</b>			
Beginning of year	<u>4,820,744</u>	<u>285,177</u>	<u>5,105,921</u>
End of year	<u>\$ 4,817,804</u>	<u>\$ 185,927</u>	<u>\$ 5,003,731</u>

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, 2018

	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating revenue	\$ 59,500	\$ 63,248	\$ 122,748
Payments for land acquisition	(73,570)	-	(73,570)
Other operating payments	(64,978)	(53,141)	(118,119)
Net cash (used) provided by operating activities	(79,048)	10,107	(68,941)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Tax certificate redemptions (net)	(1,078)	-	(1,078)
Distribution received from limited liability companies	-	1,240	1,240
Net cash (used) provided by for investing activities	(1,078)	1,240	162
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Increase in due to other funds	(15,751)	-	(15,751)
Non-operating income	-	31,773	31,773
Net cash used by noncapital and related financing activities	(15,751)	31,773	16,022
Net (decrease) increase in cash	(95,877)	43,120	(52,757)
<b>CASH</b>			
Beginning of period	166,585	65,369	231,954
End of period	\$ 70,708	\$ 108,489	\$ 179,197
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Net loss	\$ (2,940)	\$ (131,091)	\$ (134,031)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Decrease in accounts receivable and prepaid assets	-	141,198	141,198
Increase in inventory	(73,570)	-	(73,570)
Decrease in accounts payable and accrued liabilities	(2,538)	-	(2,538)
Net cash (used) provided by operating activities	\$ (79,048)	\$ 10,107	\$ (68,941)

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 No. 14, as amended by Statement No. 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 No. 14, as amended through Statement No. 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, 2018, 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/Ike – 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, 2018.

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, 2018, 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 recorded at cost. Donated capital 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	3-10
Computer Software	3-5

**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.

In the government-wide and proprietary fund statements, restricted resources available for use will be depleted prior to use of unrestricted resources.

**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, 2018.
- 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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, 2018.
- 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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget Policy and Budgetary Accounting (Continued)**

***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.

**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 acquisitions**

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 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 21, 2019, 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, 2018.

**NOTE 3 - CAPITAL ASSETS**

Capital assets and depreciation as of December 31, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	79,623	27,737	-	107,360
Computer software	5,520	913	-	6,433
Total capital assets being depreciated	<u>85,143</u>	<u>28,650</u>	<u>-</u>	<u>113,793</u>
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	76,049	4,618	-	80,667
Computer software	5,520	122	-	5,642
Total accumulated depreciation	<u>81,569</u>	<u>4,740</u>	<u>-</u>	<u>86,309</u>
Total governmental capital assets, net	<u>\$ 3,574</u>	<u>\$ 23,910</u>	<u>\$ -</u>	<u>\$ 27,484</u>

For the year ended December 31, 2018, depreciation expense was \$4,740 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.

**NOTE 4 - COMMITMENTS AND CONTINGENCY (CONTINUED)**

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

Year	Amount
2019	\$ 39,612
2020	6,602
	\$ 46,214

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 \$49,150 for services provided to the Funds. As of December 31, 2018, \$8,228 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 2018, asset management fees recognized as revenue by the Authority and expensed by the CDE were \$190,347.

**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, 2018, the Authority had four 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, 2018 consist of:

	2018
Principal balances outstanding	\$ 2,690,861
Less: Allowance for forgiven loans or uncollectable	(1,420,012)
	\$ 1,270,849

**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 2018 was as follows:

	2018
Beginning balance (24 properties)	\$ 4,740,275
Costs incurred to acquire and maintain (1 properties)	73,570
Ending balance (25 properties)	\$ 4,813,845

**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, 2018, 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, 2018 were as follows:

<u>Individual Fund</u>	<u>Receivable</u>	<u>Payable</u>
<b>Governmental-type activities:</b>		
<b>General Fund:</b>		
MFA Fund	\$ -	\$ 35,067
Gustav/Ike Fund	62,755	-
Land Bank Fund	62,187	-
OCD Fund	305,475	-
<b>Total General Fund</b>	<u>430,417</u>	<u>35,067</u>
<b>MFA Fund:</b>		
General Fund	35,067	-
Gustav/Ike Fund	-	51,271
<b>Total MFA Fund</b>	<u>35,067</u>	<u>51,271</u>
<b>Gustav/Ike Fund:</b>		
General Fund	-	62,757
MFA Fund	51,273	-
<b>Total Gustav/Ike Fund</b>	<u>51,273</u>	<u>62,757</u>
<b>OCD Fund:</b>		
General Fund	-	305,475
Land Bank Fund	-	1,078
<b>Total OCD Fund</b>	<u>-</u>	<u>306,553</u>
<b>Total governmental activities</b>	516,757	455,648
<b>Business-Type activities:</b>		
<b>Land Bank Fund:</b>		
General Fund	-	62,187
OCD Fund	1,078	-
<b>Total Land Bank Fund</b>	<u>1,078</u>	<u>62,187</u>
<b>Total primary government</b>	<u>\$ 517,835</u>	<u>\$ 517,835</u>

**NOTE 11 - INTERFUND TRANSFERS**

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

	<u>Transfer In</u>	<u>Transfer Out</u>
<i>Primary Government:</i>		
<b>General Fund:</b>		
MFA Fund	\$ 52,288	\$ -
<b>MFA Fund:</b>		
General Fund	-	52,288
Total	<u>\$ 52,288</u>	<u>\$ 52,288</u>

**NOTE 12 - CURRENT OPERATING ENVIRONMENT**

The Authority operated with minimal staff during the first quarter of 2018 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 was secured in 2018 through both the City-Parish government and other various granting agencies. The Authority anticipates continued 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. The Authority started receiving monthly lease payments of approximately \$9,900 during 2018 with total rental income of \$59,500 recorded in the Land Banking Fund. Potential additional lease payments will be made to the Authority in an amount to be determined based on revenue generated from future developments.

**NOTE 14 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures Exceeding Appropriations**

Excess of expenditures over appropriations in functions within the fund occurred as follows:

	<u>Revised</u> <u>Budget</u>	<u>Actual</u> <u>(GAAP Basis)</u>	<u>Excess over</u> <u>Budget</u>
<b>Governmental Fund:</b>			
General Fund			
Community development			
Supplies and other operating expenses	37,123	45,196	(8,073)
Travel and meeting	412	8,507	(8,095)
Capital outlay	-	28,650	(28,650)
	<u>1,100,254</u>	<u>1,119,543</u>	<u>(44,285)</u>

**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, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Intergovernmental	\$ 747,727	\$ 862,727	\$ 833,528	\$ (29,199)
New market tax credits	220,400	195,472	190,348	(5,124)
Total revenues	968,127	1,058,199	1,023,876	(34,323)
<b>EXPENDITURES</b>				
Current function:				
Community development				
Legal and professional	552,880	556,883	531,887	24,996
Salaries and benefits	243,606	351,480	350,122	1,358
CDE management fee	134,500	131,089	131,801	(712)
Supplies and other operating expenses	18,807	37,123	45,196	(8,073)
Rent and utilities	21,600	23,267	23,380	(113)
Travel and meeting	1,200	412	8,507	(8,095)
Capital outlay	-	-	28,650	(28,650)
Total expenditures	972,593	1,100,254	1,119,543	(19,289)
Deficiency of revenues over expenditures	(4,466)	(42,055)	(95,667)	(53,612)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	224,641	18,901	52,288	33,387
Net change in fund balance	\$ 220,175	\$ (23,154)	(43,379)	\$ (20,225)
<b>FUND BALANCE</b>				
Beginning of year			1,049,242	
End of year			\$ 1,005,863	

**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, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Interest income - loans	\$ 64,980	\$ 18,901	\$ 38,912	\$ 20,011
Principal payments - loans	46,724	9,268	14,008	4,740
Total revenues	111,704	28,169	52,920	24,751
<b>EXPENDITURES</b>				
Current function:				
Community development				
Supplies and other	3,200	631	632	(1)
Excess of revenues over expenditures	108,504	27,538	52,288	24,750
<b>OTHER FINANCING USES</b>				
Transfers out	(108,504)	(27,538)	(52,288)	(24,750)
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>FUND BALANCE</b>				
Beginning of year			-	
End of year			\$ -	

**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, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Intergovernmental	\$ 917,316	\$ 613,357	\$ 403,312	\$ (210,045)
<b>EXPENDITURES</b>				
Current function:				
Community development				
Salaries and benefits	37,316	8,389	-	8,389
Affordable rental program loans	880,000	604,968	403,312	201,656
Total expenditures	917,316	613,357	403,312	210,045
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>FUND BALANCE</b>				
Beginning of year			-	
End of year			\$ -	

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY  
OFFICE OF COMMUNITY DEVELOPMENT (OCD)**

Baton Rouge, Louisiana

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

For the year ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Intergovernmental	\$ 530,910	\$ 641,309	\$ 677,484	\$ 36,175
<b>EXPENDITURES</b>				
Current function:				
Community development				
Legal and professional	19,400	15,380	365,461	(350,081)
Salaries and benefits	265,792	244,805	247,522	(2,717)
Travel and meetings	-	13,105	23,708	(10,603)
Supplies and other	231,194	350,162	22,754	327,408
Rent and utilities	14,524	17,857	18,039	(182)
Total expenditures	530,910	641,309	677,484	(36,175)
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>FUND BALANCE</b>				
Beginning of year			-	
End of year			\$ -	

**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, 2018

**Agency Head:** Christopher Tyson, President and CEO

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 155,000
Benefits - insurance	25,936
Benefits - retirement	14,486
Mileage allowance	6,000
Cell phone allowance	1,200
Travel and lodging reimbursements	<u>1,475</u>
Total	<u>\$ 204,097</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, 2018

Grantor/State Pass-through/ Program name/ Location of Project	CFDA Number	Grant Number	Grant Amount	Federal Expenditures
<b>U.S. Department of Housing and Urban Development/ Community Development Block Grant Program (CDBG)</b>				
Passed through the City-Parish Government of East Baton Rouge Parish				
*Community Development Block Grant/State's Program	14.228	Various	\$ 5,000,000	\$ 3,244,412 **
<b>U.S. Department of Housing and Urban Development/ Community Development Block Grant Program (CDBG)</b>				
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	1,443,175	544,654
<b>U.S. Department of Housing and Urban Development/ Home Investment Partnerships Program</b>				
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	479,625	132,830
Total federal awards expended				<u>\$ 3,921,896</u>

\* Major Program

\*\* Includes loans to subrecipients with beginning balances of \$2,841,100 for which no payments were received in 2018. Additionally, this amount includes \$403,312 of loans made during 2018.

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, 2018

### 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, 2018	\$ 1,789,324
Intergovernmental revenue from non-federal sources	(708,528)
Outstanding balance of loans provided from CDBG grant at December 31, 2017 (no payments received in 2018)	<u>2,841,100</u>
Total federal award expenditures per schedule	<u>\$ 3,921,896</u>

**NOTE 3 - ASSISTANCE TO SUBRECIPIENTS**

Subrecipient assistance for 2018 was as follows:

Prior balance of outstanding loans as referenced above	\$ 2,841,100
Current year loans disbursed	<u>403,412</u>
Total assistance to subrecipients	<u>\$ 3,244,512</u>

**NOTE 4 - DE-MINIMIS INDIRECT COST RATE**

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

**OTHER 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, and each major fund of the **EAST BATON ROUGE REDEVELOPMENT AUTHORITY (AUTHORITY)** as of and for the year ended December 31, 2018, 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 21, 2019.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Faulk & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
June 21, 2019



**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's (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, 2018. 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 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, 2018.

### **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.

*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.

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.

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.

(Continued)

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.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
June 21, 2019

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2018

### 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*: **None.**

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2018

**3) FINDINGS – FINANCIAL STATEMENTS**

None.

**4) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**5) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**

None.

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

For the year ended December 31, 2018

**1) FINDINGS – FINANCIAL STATEMENTS**

None.

**2) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**3) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**

**2017-001 Violation of the Local Government Budget Act  
(Resolved)**

**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.

**Status:** This finding is considered resolved.

**Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures**

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

Baton Rouge, Louisiana

December 31, 2018



## 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, 2018 through December 31, 2018. 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:

### *Written Policies and Procedures*

---

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.
  - 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.
  - c. **Disbursements**, including processing, reviewing, and approving.
  - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
  - e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- 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.
- 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 (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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.
- j. **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***Board (or Finance Committee, if applicable)***

---

- 2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

***Bank Reconciliations***

---

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask manage to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 addition accounts. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

### Collections

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a. Observe that receipts are sequentially pre-numbered.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. Trace the deposit slip total to the actual deposit per the bank statement.
- d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e. Trace the actual deposit per the bank statement to the general ledger.

*Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases)*

---

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b. At least two employees are involved in processing and approving payments to vendors.
  - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a. Observe that the disbursement matched the related original invoice/billing statement.
  - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*Credit Cards/Debit Cards/Fuel Cards/P-Cards*

---

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]]
  - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

#### Travel and Travel-Related Expense Reimbursement (excluding card transactions)

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

#### Contracts

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

### *Payroll and Personnel*

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a. Observe that 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.)
  - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Ethics*

---

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*Debt Service (excluding nonprofits)*

---

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Other*

---

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY  
Baton Rouge, Louisiana

SCHEDULE OF EXCEPTIONS

For the year ended December 31, 2018

*Exceptions:*

---

No exceptions were found as a result of applying the procedures listed above, except as follows:

*Written Policies and Procedures:*

---

RDA's written policies and procedures address budgeting, purchasing, disbursements, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics, and debt services, except as follows:

**1 (b) Purchasing** – RDA has policies and procedures over purchasing that address purchase initiation, preparation, approval processes, and document retention. The policy does not properly address (2) how vendors are added to the vendors list.

**1 (i) Ethics** – RDA's written policies and procedures over ethics address actions to be taken if ethic violations take place and systems to monitor ethic violations, but the policy does not address prohibition as defined in Louisiana Revised Status 42:1111-1121. Also, employees are not required to annually attest through signature verification that they have ready the entity's ethics policy.

**1 (j) Debt Service** – RDA's written policies and procedures do not include a section to cover debt service; however, RDA does not have any debt outstanding.

*Board:*

---

*No exceptions noted.*

*Bank Reconciliations:*

---

**3 (b)** There is no evidence of a review performed by a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

*Collections:*

---

**6** The employees who have access to cash are not covered by a bond or insurance policy for theft.

**7** One of the three deposits examined was not made within one business day of the receipt at the collection location. The deposit was for an amount over \$100.

***Non-Payroll Disbursements:***

---

9 (a) Purchases were not initiated using a purchase order system since RDA's policies and procedures did not utilize a purchase order system at that time. RDA has since implemented a purchase order system for purchases in excess of \$500.

9 (c) RDA does not have written policies and procedures that prohibits the employee responsible for processing payments from adding vendors into the disbursement system.

***Credit Cards/Debit Cards/Fuel Cards/P-Cards:***

---

There were six active cards during the fiscal year, therefore the one monthly statement was selected for each card.

12 (a) Of the 17 transactions selected for testing, four transactions did not contain evidence that the transaction was reviewed and approved by someone other than the authorized card user.

12 (b) Of the 17 transactions selected for testing, one transaction did not contain evidence of the original itemized receipt that identifies what was purchased.

***Travel and Travel-Related Reimbursements:***

---

*The category was not included for the fiscal year ended December 31, 2018 as no exceptions were noted during the agreed upon procedures engagement for the fiscal year ended December 31, 2017.*

***Contracts:***

---

*The category was not included for the fiscal year ended December 31, 2018 as no exceptions were noted during the agreed upon procedures engagement for the fiscal year ended December 31, 2017.*

***Payroll and Personnel:***

---

*No exceptions noted.*

***Ethics:***

---

20 There was no evidence of signature verification that the employees tested read the entity's ethics policy during the fiscal year.

***Debt Service:***

---

*The category was not included for the fiscal year ended December 31, 2018 as no exceptions were noted during the agreed upon procedures engagement for the fiscal year ended December 31, 2017.*

*Other:*

---

*The category was not included for the fiscal year ended December 31, 2018 as no exceptions were noted during the agreed upon procedures engagement for the fiscal year ended December 31, 2017.*

*Management's Response*

---

- 1(b)** Purchasing – RDA will update its policy to address how vendors are added to the vendors list.
- 1(i)** Ethics – RDA will update its policy to address prohibition as defined in LA Revised Status 42:1111-1121 and require employees to attest annually through signature verification that they have read the entity's ethics policy.
- 1(j)** Debt Service – RDA will update its accounting policy to include a section to cover debt service. Specifically, debt issuance approval, EMMA reporting requirements, debt reserve requirements and debt service requirements.
- 3(b)** Bank Reconciliations – Review and sign-off of bank reconciliations will be performed by a member of management who does not handle cash, post ledgers or issue checks.
- 6** Collections – RDA will ensure bond or insurance coverage for theft of all employees who have access to cash.
- 7** Collections – RDA will continue to work to ensure that all deposits are made within one day of receipt at the collection location.
- 9(a)** Non-Payroll Disbursements – RDA now has a purchasing policy in its Accounting Policies and Procedures Manual, where a purchase order system is applicable for purchases over \$500.
- 9(b)** Non-Payroll Disbursements – RDA will update its policy to prohibit employees responsible for processing payments from adding vendors into the disbursement system.
- 12(a)** Credit Cards/Debit Cards/Fuel Cards/P-Cards – RDA will ensure that all transactions are reviewed and approved by someone other than the authorized card user.
- 12(b)** Credit Cards/Debit Cards/Fuel Cards/P-Cards – RDA will continue to work to collect all original itemized receipts that identify what was purchased.
- 20** Ethics – The RDA will require employees to attest annually through signature verification that they have read the entity's ethics policy.

*Faulk & Winkler LLC*

Certified Public Accountant

Baton Rouge, Louisiana  
June 21, 2019