CAPITAL AREA FINANCE AUTHORITY

DECEMBER 31, 2019

BATON ROUGE, LOUISIANA

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HTB Hannis T. Bourgeois
CPAs + Business Advisors

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities which include each of the individual programs, FutureVision, LLC, the unrestricted fund, and the 2019 combined financial statements of the Capital Area Finance Authority (the Authority) as of and for the year ended December 31, 2019, 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 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Area Finance Authority as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Capital Area Finance Authority's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2020 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Capital Area Finance Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
June 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The Management's Discussion and Analysis ("MD&A") of the Capital Area Finance Authority's (the "Authority") (formerly known as the East Baton Rouge Mortgage Finance Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2019 as well as commentary of general market trends, market conditions and the Authority's mortgage loan origination. This document focuses on the year ended December 31, 2019 activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this MD&A in conjunction with the Authority's audited financial statements for the year ended December 31, 2019 presented beginning on page 13.

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

A commentary of general economic trends, interest rate market conditions, as well as an overview of financial statements, an analysis of the Authority's activities for the year ended December 31, 2019, current economic factors, the Authority's 2020 budget and the Authority's mortgage lending programs are presented over the following pages.

- Prior to the COVID-19 pandemic, general economic conditions had seen significant improvement including a rise in the stock markets and lower unemployment numbers. Consumer confidence was also improving. The Dow Jones Industrial Average increased 22% by the end of 2019 over the 2018 yearend.
- Mortgage loan interest rates had begun to rise prompted in part as a reaction to the rise in the Federal Reserve Interest Rates. However, reaction in the market to COVID-19 caused rates to rapidly decline. Rates have stabilized but are still lower now than the end of 2019.
- There is not sufficient improvement in the market for the Authority to consider issuing tax-exempt mortgage revenue bonds during 2020. If the Federal Reserve short-term interest rates stay the same or decline, the possibility of a tax-exempt mortgage revenue bond issue may be pushed even further into the future.
- The Authority has not issued any new tax-exempt Mortgage Revenue Bonds since 2011.
- In 2014, the Authority completed its mortgage lending program (the "GSE Mortgage Lending Program") utilizing the GSE bond proceeds. The bonds were issued in early 2010 and converted to a permanent rate late in 2011.
- The mortgage loan interest rates on the GSE Mortgage Lending Program ranged from 3.75% to 4.75% available to first-time homebuyers and included down payment and closing cost assistance. This assistance was in the form of a soft second mortgage forgivable over a five (5) year period which second mortgage loan has no monthly principal or interest payments required. The GSE bond issue was the first lending program in which the Authority offered soft second mortgages.

- In 2015 and 2016 the Authority issued taxable bonds to refund several prior bond issues. The purpose of the refundings was to lower the bond interest expense and to release surplus assets to the Unrestricted Fund. In each refunding the majority of the Mortgage Backed Securities which had been the collateral for the prior issues were transferred to the new taxable bond issues as collateral for the new bonds. Excess Mortgage Backed Securities and cash from the prior issues were transferred to the Authority's Unrestricted Fund.

- During 2016, the Capital Region experienced two major flood events (March and August) both of which resulted in designations as Federal Disaster Areas. These two events had a significant impact on economic conditions in the Capital Region. Most of the Capital Region businesses have recovered, however residential districts are still recovering.

FINANCIAL HIGHLIGHTS

2019 Mortgage Loan Principal Paydowns for Mortgage Loans Made with Mortgage Revenue Bond Proceeds

Conventional market mortgage loan interest rates have leveled out or begun to drop, due the lowering of short-term rates by the Federal Reserve, which generally speeds the pace of prepayments caused by refinancing the first mortgages. The amount of early paydowns decreased during 2019 resulting in $4.865 million in total mortgage loan paydowns as compared with $5.980 million in 2018, but early paydowns are expected to increase during 2020. No new mortgage loans were originated during 2019 using mortgage revenue bond proceeds.

2019 New Mortgage Loan Originations

- **Capital Advantage Program – To Be Announced ("TBA") Program**

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

  In 2019, US Bank, on behalf of the Authority, has pooled approximately $6.245 million in loans and the Authority earned approximately $12,900 in one-time fees of which $2,495 was earned in Parishes with which CAFA has Cooperative Endeavor Agreements ("CEA's") in 2019 as compared to $13.638 million in loans and $42,652 in one-time fees in 2018. CAFA lowered its fees charged on each loan in order to lower the mortgage loan interest rate to the home buyer.

  Mortgage rates were rising during most of 2019 which made selling the Mortgage Backed Securities ("MBS") more difficult as MBS with higher rates have more early prepayment risk.

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

  In August of 2015, the Authority initiated the LA CAFA TBA Mortgage Loan Program in cooperation with GMFS Lending. During 2017, the name was changed at the request of GMFS to "Purchase Advantage Powered by CAFA ("PAC"). This program utilizes licensed financial institutions comprised of community banks, credit unions and mortgage brokers who choose to broker conventional and government mortgage loans. GMFS Lending serves as underwriter, funder, and Master Servicer for this program. Stifel Nicolaus & Company acquired George K. Baum during 2019 and now acts as hedging agent and Program Administrator for this program. Down payment assistance is provided as a grant by a marginal increase in the mortgage loan rate. The Authority earns a one -time fee at the time of the closing of the loans.

During 2019, approximately $14.914 million in loans were closed and the Authority earned $81,238 in one-time fees (of which $37,136 was earned in CEA Parishes) as compared to 2018, when $50.526 million in loans were closed and the Authority earned $251,157 in one-time fees (of which $117,748 was earned in CEA Parishes).

Mortgage rates were rising during most of 2019 which made selling the Mortgage Backed Securities ("MBS") more difficult as MBS with higher rates have more early prepayment risk.

- **<u>CAFA Gold Program - TBA Program</u>**

In April 2017, CAFA initiated the CAFA Gold Program as a pilot program in cooperation with Freddie Mac. This program is a market rate program with down payment and closing cost assistance in the form of a soft second mortgage (a second lien on the property that has no interest and no payments which is forgiven over a period of 7 or 10 years). Freddie Mac Seller/Servicers in this program are allowed to originate and service their own loans. For 2018 Assurance Financial was the only Seller/Servicer originating loans in this program. Gateway Mortgage Group was added as a Seller/Servicer in 2019. CAFA earns a one-time fee for these loans at the closing of the first mortgage. See the chart below for a year over year comparison of new loans and fees.

Originations and Fees for CAFA Gold
2019 as Compared to 2018

Assurance Financial	**2019**	**2018**	**Increase/(Decrease)**
Originations / First Mortgages	$4,922,381.00	$4,671,000.00	$251,381.00
Total Fees Earned (including Fees earned in CEA Parishes)	$36,917.86	$38,340.00	($1,422.14)
Fees Earned in CEA Parishes	$8,742.66	$9,082.00	($339.34)
Gateway Mortgage Group			
Originations / First Mortgages	$25,224,343.00	$0.00	$25,224,343.00
Total Fees Earned (including Fees earned in CEA Parishes)	$189,182.57	$0.00	$189,182.57
Fees Earned in CEA Parishes	$41,846.64	$0.00	$41,846.64

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

  In addition, CAFA has CEAs with 36 Parishes outside the nine parish Capital Area which allows mortgage loan originations utilizing CAFA's TBA programs. In exchange for the approval of each parish to allow CAFA to originate loans therein, CAFA shares 50% of the one-time fee generated from loans made in each particular CEA Parish.

2015 Taxable Refunding Single Family Mortgage Revenue Refunding Bonds Series 2015

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

The $32,000 of "Deferred Inflow of Resources" represents legacy bond premiums from certain refunded prior single-family bond issues which were funded using the 2015 taxable bond issues proceeds.

2016 Taxable Refunding Single Family Mortgage Revenue Refunding Bonds Series 2016

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

The $55,000 of "Deferred Inflow of Resources" represents legacy bond premiums from certain refunded prior single-family bond issues which were funded using the 2016 taxable bond issues proceeds.

2019 Adjusted Net Position

- The Authority's assets exceeded its liabilities at the close of 2019 by $33.947 million, which represents a $1.042 million increase from the 2018 amount of $32.905 million.
- For the year ended December 31, 2019, the Authority had $1.173 million in unrealized gains in the Net Increase (Decrease) in the Fair Market Value of Investments. The net unrealized gain of $1.173 million for 2019 combined with the net unrealized loss in 2018 of $2.001 million represents a $3.174 net gain in the fair market value of investments from 2018 to 2019.
- Without giving effect to the adjustment for the cumulative unrealized gains in the Net Increase (Decrease) in the Fair Value of Investments, the Authority's assets exceeded its liabilities by $32.774 million in 2019 which represents a decrease of $2.132 million from the 2018 adjusted amount of $34.906 million.

2019 Adjusted Operating Revenues

- The Authority's adjusted revenues of $3.472 million in 2019 (exclusive of the $1.173 million Net Increase in the Fair Value of Investments) decreased by $291,000 as compared to adjusted revenues of $3.763 million generated in 2018 (exclusive of the Net Decrease in the Fair Value of Investments of $2.001 million.)
- The Authority generated income earned on mortgage loans receivable/mortgage backed securities of $1.896 million in 2019 as compared with $2.147 million in 2018 - a decrease of $251,000. This decrease is due in part to the early payoff of aging loans.
- The Authority realized a $18,000 increase in income earned on other investments from $625,000 in 2018 to $643,000 in 2019.
- The Authority Fee Income in 2019 decreased by $89,000 from $675,000 in 2018 to $586,000 in 2019. This is primarily due to a decrease in the Mortgage Loan Receivable / MBS from regular and early principal payments. Authority Fees are calculated on the outstanding loan balances.
- The income for 2019 from fees earned on the three Market Rate Loan Programs which combined total $299,000 as compared to $311,000 for 2018, a decrease of $12,000 due to a decrease in first mortgage loan production. Mortgage Loan rates were climbing during most of 2019 and staying competitive with the conventional mortgage market became more challenging.
- The Authority had an increase in Miscellaneous Income of $21,000 from $1,000 in 2018 to $22,000 in 2019. The $20,000 PILOT fee received from the LaPlaya Multi-family development is mostly responsible for this increase.

2019 Operating Expenses

- The Authority's 2019 Total Operating Expenses of $3.599 million increased by $77,000 from 2018 operating expenses of $3.522 million.
- There was a decrease in the amortization of DAP/MLAP of $122,000 from $124,000 in 2018 as compared to $2,000 in 2019.
- There was an increase of $451,000 in Operating Expenses of $1.983 million in 2019 as compared to $1.532 million in 2018.

2019 Adjusted Net Operating Income

- Excluding the realized and unrealized gains or losses in the Net Increase/Decrease in the Fair Value of Investments for 2019 and 2018 and adjusting for the non-cash expense item category of the amortization of down-payment assistance programs costs, the Authority experienced a net operating loss of $127,000 in 2019 compared with a $365,000 net operating gain in 2018.

2019 Unrestricted Fund Net Position

- As of December 31, 2019, the Authority had an net position of $29.494 million (after adjusting for the unrealized gain of $444,000) as compared with net position of $30.077 million as of December 31, 2018 (after adjusting of for an unrealized loss of $390,000) representing a decrease of $583,000.

Authority's Bond Credit Ratings

- The Authority has a "Aaa" rating from Moody's Investor Service ("Moody's") on substantially all of its separately secured series of bonds. The Series 2009A-1, A-2 and A-3 Bonds which were rated A2 (upgraded in July, 2014). These series of Bonds listed above were rated lower than Aaa due solely to the downgrade of the Moody's ratings of various financial institutions respective guaranteed investment agreement providers with which the Authority invests its monthly receipts of mortgage loan principal and interest payments from its mortgage backed securities which serve as collateral for the Authority's Bonds.
- The 2009 GSE Bonds are rated Aa+ by Standard and Poor's Corporation.
- In May 2002, the Authority had applied for an issuer rating from Moody's Investor Services ("Moody's"). Moody's awarded the Authority an 'A3' issuer general obligation rating which is the current rating. The Authority issued a series of subordinate bonds in the principal amount of $2 million as a part of the Series 2009A Bonds on October 27, 2009 secured in part by the Authority's general obligation pledge of the Authority's unrestricted assets.

  Moody's reaffirmed the Authority's 'A3' issuer general obligation rating on November 13, 2014. The "A3" rating remains the current credit rating. Moody's included as a part of its rating report certain operating and debt ratios in its rating report.
- Moody's issued a Aaa rating to the Taxable Single Family Mortgage Revenue Refunding Bonds Series 2015.
- Moody's issued a Aaa rating to the Taxable Single Family Mortgage Revenue Refunding Bonds Series 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

The balance sheets (page 13) present the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating on an adjusted basis.

The statements of revenues, expenses, and changes in net position (page 14) present information showing how the Authority's net position changed as a result of the current year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statements of cash flows (pages 15 - 16) present information showing how the Authority's cash changed as a result of the current year's operations. The combining cash flow statements are prepared using the direct method and include the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement 34 of the Governmental Accounting Standards Board.

COMBINED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018	Change from Prior Year
Cash and Cash Equivalents	$ 11,872	$ 10,098	$ 1,774
Brokered Certificates of Deposit	6,202	7,598	(1,396)
Guaranteed Investment Agreements	218	291	(73)
State, U.S. Government and Agency Securities	7,089	7,199	(110)
Mortgage-Backed Securities	39,508	44,373	(4,865)
Mortgage Loan Receivable - Net	263	46	217
Accrued Interest Receivable	232	265	(33)
Note Receivable	1,197	396	801
Prepaid Insurance and Other Assets	55	56	(1)
Capital Assets (Net of Accumulated Depreciation)	1,834	1,872	(38)
Total Assets	$ 68,470	$ 72,194	$ (3,724)
Accounts Payable and Accrued Liabilities	$ 136	$ 36	$ 100
Accrued Interest Payable	114	130	(16)
Bonds and Lines of Credit Payable - Net	34,273	39,123	(4,850)
Total Liabilities	34,523	39,289	(4,766)
Deferred Inflows - Related to Refunding of Bonds	87	91	(4)
Net Position:			
Net Investment in Capital Assets	1,834	1,872	(38)
Restricted *1	3,500	2,981	519
Unrestricted *2	28,526	27,961	565
Total Net Position	33,860	32,814	1,046
TOTAL LIABILITIES AND NET POSITION	$ 68,470	$ 72,194	$ (3,724)

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

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

Authority Debt

- The Authority had $34.273 million in mortgage revenue bonds on December 31, 2019 as compared to $39.123 million in mortgage revenue bonds as of December 31, 2018, as shown in the table below:

OUTSTANDING AUTHORITY DEBT AS OF DECEMBER 31, 2019 AND 2018

	2019 (millions)	2018 (millions)	Change from Prior Year (millions)
Mortgage Revenue Bonds	$34.273	$39.123	$(4.850)
Line of Credit (FHLB of Dallas)	-	-	-
Outstanding Debt (as of December 31)	$34.273	$39.123	$(4.850)

- Mortgage Revenue Bonded Debt outstanding decreased by $4.850 million as of December 31, 2019 as compared with December 31, 2018.
- The Authority had an outstanding line of credit as of December 31, 2019 with the Federal Home Loan Bank of Dallas with a zero balance.

Accounts Payable and Accrued Interest Payable

The Authority had Accounts Payable and Accrued Liabilities and Accrued Interest Payable of $250,000 outstanding on December 31, 2019 (of which $114,000 is accrued interest payable on the bonds) compared with $166,000 for December 31, 2018 – an increase of $84,000

Subsequent Events

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

  The Authority completed its first PILOT Agreement with the developer of the LaPlaya Apartment renovation. The Authority received an upfront fee and will receive an annual Administrative Fee for the 20 year life of the PILOT agreement. Several other PILOT projects are in development.

- The Authority awarded a $200,000 grant to the Arts Council of Greater Baton Rouge. These funds were awarded as a part of their Capital Campaign to renovate the "Triangle Building" into a center for the arts. The Authority will also provide the interim construction financing for the renovation.

- The Authority is cooperating with the Louisiana Housing Corporation's Neighborhood Landlord Program, which assists landlords who rent to low and moderate income families renovate or build new single-family or small (less than 7 units) multi-family residences that were damaged or destroyed by the devastating floods in 2016. The Authority is providing the interim construction financing for the landlords.

- The Authority approved a Line of Credit for Build Baton Rouge, The Redevelopment Authority of East Baton Rouge Parish. Build Baton Rouge will use the Line of Credit to acquire properties along the Plank Road corridor, a dis-invested part of the city, for their significant re-development project in that area.

ECONOMIC FACTORS AND THE AUTHORITY'S 2019 BUDGET

The Authority's Board of Trustees considered the following factors and indicators when the Authority adopted its 2020 Operating Budget. These factors and indicators include, but are not limited to:

- The potential for the continuation of relatively low and stable to declining conventional mortgage loan interest rates in 2020 will cause the velocity of early mortgage loans payoffs to increase. But lower rates should also increase new mortgage loan production in the TBA programs.

- The Authority launched a Market Rate mortgage loan program with down payment and closing cost assistance with Raymond James as hedging agent and US Bank as Master Servicer in September 2014. Interest rates are published daily by 9:00am CST. The Authority conducted the first pooling of loans in January 2015. Due to the catastrophic flooding in March and August of 2016 there were several home financing products available through federal flood programs which had slowed the origination of loans through this program. With those funds now mostly expended and mortgage loan rates declining through 2020 increased production is expected. Increased mortgage loan production results in increased fees for that production.

- The Authority created a parallel Market Rate mortgage program with down payment and closing cost assistance with GMFS Lending, LLC in August 2015. This program utilizes licensed financial institutions comprised of community banks, credit unions and mortgage brokers who choose to broker conventional and government mortgage loans. GMFS Lending serves as underwriter, funder, hedging agent and Master Servicer for this program. The Authority collects a one-time issue fee when the loans are closed. Due to the catastrophic flooding in March and August of 2016 there were several home financing products available through federal flood programs which had slowed the origination of loans through this program. With those funds now mostly expended and mortgage loan rates declining through 2020 increased production is expected. Increased mortgage loan production results in increased fees for that production.

- During 2017 CAFA began a mortgage loan program which allows major mortgage loan companies to originate and then service their own loans. This is a pilot program in cooperation with Federal Home Loan Mortgage Corporation (Freddie Mac) and Stifel Nicolaus & Company. Freddie Mac is working with a few select local Housing Finance Agencies ("HFAs") across the country similar to CAFA to participate in this pilot program. In this program each HFA can select up to five (5) Freddie Mac Seller/Servicers to originate and service first mortgage loans under CAFA's Gold Program. It is a market rate program, but the structure of the program allows for a lower mortgage rate and increased down payment and closing cost assistance due to the use of soft second mortgage loans (second liens with zero interest and zero payments which are forgiven over a seven year period). CAFA started with one Seller/Servicer in 2017, added one Seller/Servicer during 2018 and added another in 2019. With the increase in the number of Seller/Servicers and the increase in the number of Parishes that have allowed the Authority to offer the loan programs, we expect an increase in mortgage loan production.

- The current and future PILOT programs under development will provide the Authority with a continuing stream of income over the life of each PILOT agreement.

CONTACTING THE CAPITAL AREA FINANCE AUTHORITY

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

Valerie Schexnayder
Chairperson, Board of Trustees

Russel Mosely
Chairperson, Audit Committee

Mark Drennen
President and CEO
mark@thecafa.org

225-771-8567
225-771-8573 (fax)
www.thecafa.org

Capital Area Finance Authority 601 St. Ferdinand Street, Baton Rouge, LA 70802

CAPITAL AREA FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND BALANCE SHEETS

AS OF DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

(In Thousands)

	2009 A Program	2009 GSE Program	2015 Program	2016 Program	FutureVision, LLC	Unrestricted Fund	2019 Combined	2018 Combined
ASSETS								
Cash and Cash Equivalents	$ 189	$ 1,260	$ 153	$ 142	$ 5	$ 10,123	$ 11,872	$ 10,098
Brokered Certificates of Deposit	-	-	-	-	-	6,202	6,202	7,598
Guaranteed Investment Agreements	218	-	-	-	-	-	218	291
State, U.S. Government and Agency Securities	-	-	-	-	-	7,089	7,089	7,199
Mortgage-Backed Securities	3,419	15,268	10,732	6,455	-	3,634	39,508	44,373
Mortgage Loans Receivable - Net	31	-	-	-	-	232	263	46
Accrued Interest Receivable	16	42	46	27	-	101	232	265
Notes Receivable	-	-	-	-	-	1,197	1,197	396
Inter-Program Receivable (Payable)	(2)	(22)	-	-	-	24	-	-
Prepaid Insurance and Other Assets	-	-	-	-	-	55	55	56
Capital Assets (Net of Accumulated Depreciation)	-	-	-	-	417	1,417	1,834	1,872
Total Assets	$ 3,871	$ 16,548	$ 10,931	$ 6,624	$ 422	$ 30,074	$ 68,470	$ 72,194
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION (DEFICIT)								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ -	$ -	$ -	$ -	$ -	$ 136	$ 136	$ 36
Accrued Interest Payable	52	27	24	11	-	-	114	130
Bonds Payable - Net	4,079	14,030	10,077	6,087	-	-	34,273	39,123
Total Liabilities	4,131	14,057	10,101	6,098	-	136	34,523	39,289
Deferred Inflow of Resources:								
Deferred Inflows - Related to Refunding of Bonds	-	-	32	55	-	-	87	91
Net Position (Deficit):								
Net Investment in Capital Assets	-	-	-	-	417	1,417	1,834	1,872
Restricted	-	2,491	798	471	-	-	3,760	2,694
Unrestricted		-	-	-	5	28,521	28,526	28,248
Total Net Position (Deficit)	-	2,491	798	471	422	29,938	34,120	32,814
Total Liabilities, Deferred Inflow of Resources, and Net Position (Deficit)	$ 4,131	$ 16,548	$ 10,931	$ 6,624	$ 422	$ 30,074	$ 68,730	$ 72,194

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

CAPITAL AREA FINANCE AUTHORITY

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

FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

(In Thousands)

	2009 A Program	2009 GSE Program	2015 Program	2016 Program	FutureVision, LLC	Unrestricted Fund	2019 Combined	2018 Combined
REVENUES:								
Income Earned on Mortgage Loans Receivable/ Mortgage Backed Securities	$ 193	$ 556	$ 586	$ 349	$ -	$ 212	$ 1,896	$ 2,147
Income Earned on Other Investments	9	-	-	-	-	634	643	625
Net Increase (Decrease) in the Fair Value of Investments	36	488	124	81	-	444	1,173	(2,001)
Market Rate Loan Program Fees	-	-	-	-	-	299	299	311
Income from Construction Notes Receivable	-	-	-	-	-	26	26	4
Authority Fee Income	-	-	-	-	-	586	586	675
Miscellaneous Income	-	-	-	-	-	22	22	1
Total	238	1,044	710	430	-	2,223	4,645	1,762
EXPENSES:								
Interest	195	347	315	151	-	-	1,008	1,172
Amortization of DAP & MLAP	-	2	-	-	-	-	2	124
Authority Fees	9	102	277	198	-	-	586	675
Insurance Costs	-	-	-	-	-	18	18	19
Administrative Fees	-	-	-	-	-	1	1	-
Loss on Sale of Asset	-	-	-	-	-	1	1	-
Operating Expenses	7	4	5	4	46	1,917	1,983	1,532
Total	211	455	597	353	46	1,937	3,599	3,522
Net Income (Loss)	27	589	113	77	(46)	286	1,046	(1,760)
Transfers Among Programs	-	-	-	-	35	(35)	-	-
Net Position (Deficit) - Beginning of Year	(287)	1,902	685	394	433	29,687	32,814	34,574
Net Position (Deficit) - End of Year	$ (260)	$ 2,491	$ 798	$ 471	$ 422	$ 29,938	$ 33,860	$ 32,814

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

CAPITAL AREA FINANCE AUTHORITY

INDIVIDUAL PROGRAMS AND UNRESTRICTED FUND
STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

(In Thousands)

	2009 A Program	2009 GSE Program	2015 Program	2016 Program	FutureVision, LLC	Unrestricted Fund	2019 Combined	2018 Combined
Cash Flows From Operating Activities:								
Cash Receipts for:								
Mortgage Loans and Mortgage-Backed Securities Income	$ 195	$ 561	$ 593	$ 353	$ -	$ 215	$ 1,917	$ 2,171
Notes Receivable	-	-	-	-	-	87	87	132
Collections of Second Mortgage Loans	13	-	-	-	-	-	13	24
Collections of Mortgage-Backed Securities	457	1,992	1,646	945	-	616	5,656	6,399
Income on Other Investments	9	-	-	-	-	645	654	634
Cash Payments for:								
Funding of Notes Receivable	-	-	-	-	-	(888)	(888)	(447)
Funding of Second Mortgage Loans						(232)	(232)	-
Interest Paid	(222)	(351)	(318)	(154)	-	-	(1,045)	(1,219)
Other Items	(15)	(111)	(284)	(204)	(44)	(846)	(1,504)	(1,169)
Net Cash Provided by (Used in) Operating Activities	437	2,091	1,637	940	(44)	(403)	4,658	6,525
Cash Flows From Capital and Related Financing Activities:								
Acquisition of Capital Assets	-	-	-	-	-	(16)	(16)	(425)
Net Cash Used in Capital and Related Financing Activities	-	-	-	-	-	(16)	(16)	(425)
Cash Flows From Investing Activities:								
Investment Purchases, Sales, and Maturities - Net	73	-	-	-	-	1,888	1,961	2,087
Net Cash Provided by Investing Activities	73	-	-	-	-	1,888	1,961	2,087
Cash Flows From Noncapital Financing Activities:								
Retirement of Notes and Bonds Payable	(530)	(1,755)	(1,690)	(854)	-	-	(4,829)	(6,996)
Interfund Activities	-	-	-	-	35	(35)	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(530)	(1,755)	(1,690)	(854)	35	(35)	(4,829)	(6,996)
Net Increase (Decrease) in Cash and Cash Equivalents		336	(53)	86	(9)	1,434	1,774	1,191
Cash and Cash Equivalents at Beginning of Year	209	924	206	56	14	8,689	10,098	8,907
Cash and Cash Equivalents at End of Year	$ 209	$ 1,260	$ 153	$ 142	$ 5	$ 10,123	$ 11,872	$ 10,098

(CONTINUED)

CAPITAL AREA FINANCE AUTHORITY

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

FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

(In Thousands)

	2009 A Program	2009 GSE Program	2015 Program	2016 Program	FutureVision, LLC	Unrestricted Fund	2019 Combined	2018 Combined
Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:								
Net Income (Loss)	$ 27	$ 589	$ 113	$ 77	$ (46)	$ 286	$ 1,046	$ (1,760)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:								
Depreciation	-	-	-	-	1	51	52	66
Loss on Sale of Asset	-	-	-	-	-	1	1	-
Amortization of Bond Premiums	(21)	-	-	-	-	-	(21)	(10)
Unrealized and Realized (Gains) Losses on Investments	(36)	(488)	(124)	(81)	-	(444)	(1,173)	2,001
Amortization of Down Payment and Authority Assistance Programs	-	2	-	-	-	-	2	124
Changes in Assets and Liabilities:								
Collections (Funding) of Second Mortgage Loans	13	-	-	-	-	(232)	(219)	24
Collections of Mortgage-Backed Securities	457	1,992	1,646	945	-	616	5,656	6,399
Funding of Notes Receivable	-	-	-	-	-	(801)	(801)	(315)
Other - Net	(3)	(4)	2	(1)	1	120	115	(4)
Net Cash Provided by (Used in) Operating Activities	$ 437	$ 2,091	$ 1,637	$ 940	$ (44)	$ (403)	$ 4,658	$ 6,525

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

(1) Summary of Significant Accounting Policies -

(A) Organization of Authority

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

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

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

1987 Program, dated July 1, 1987	Closed	$ 15,450
1988 C&D Program, dated August 1, 1988	Closed	26,975
1988 E&F Program, dated June 22, 1989	Closed	40,000
Municipal Refunding Collateralized Mortgage Obligations (MRCMO) Program, dated January 25, 1989	Closed	67,905
1990 Program, dated August 1, 1990	Closed	56,000
1992 A&B Program, dated April 1, 1992	Closed	25,000
1992 C Program, dated April 1, 1992	Closed	38,310
1992 D Program, dated April 1, 1992	Closed	8,975
1993 A&B Program, dated October 27, 1993	Closed	36,720
1993 C Program, dated October 27, 1993	Closed	15,270
1994 A&B Program, dated August 15, 1994	Closed	31,210
1994 C Program, dated December 29, 1994 (remarketed)	Closed	13,250
1995 A Program, dated February 23, 1995 (remarketed)	Closed	8,840
1995 B Program, dated October 5, 1995	Closed	12,500
1995 C Program, dated September 28, 1995 (remarketed)	Closed	5,820

1996 A Program, dated February 29, 1996 (remarketed)	Closed	9,765
1996 B program, dated October 24, 1996	Closed	12,500
1996 C Program, dated September 27, 1996 (remarketed)	Closed	6,390
1997 B Program, dated March 27, 1997 (remarketed)	Closed	10,755
1997 C1-C3 Program, dated December 31, 1997	Closed	101,400
1997 D Program, dated June 1, 1997	Closed	18,600
1997 F Program, dated September 25, 1997 (remarketed)	Closed	5,135
1998 A Program, dated June 1, 1998	Closed	12,920
1998 B Program, dated June 1, 1998	Closed	23,595
1998 C Program, dated December 1, 1998	Closed	41,180
1998 D Program, dated December 1, 1998	Closed	6,000
1999 A Program, dated July 15, 1999	Closed	12,000
1999 B Program, dated July15, 1999	Closed	16,485
2000 A&B Program, dated May 31, 2000	Closed	57,208
2000 C Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	10,000
2000 D Program, dated November 9, 2000 (remarketed from 2000 A&B Program)	Closed	6,294
2000 E Program, dated November 9, 2000	Closed	14,787
2000 CR Program, dated August 14, 2001 (remarketed from 2000 C Program)	Closed	5,200
2000 DR Program, dated August 14, 2001 (remarketed from 2000 D Program)	Closed	3,330
2000 ER Program, dated August 14, 2001 (remarketed from 2000 E Program)	Closed	7,710
2002 A Program, dated June 18, 2002	Closed	30,925
2003 A Program, dated September 16, 2003	Closed	21,940
2004 A Program, dated October 5, 2004	Closed	24,451
2005 A Program, dated December 20, 2005	Closed	30,000
2006 A Program dated July 25, 2006	Closed	20,000
2007 A Program, dated February 23, 2007	Closed	40,000
2007 B Program, dated December 28, 2007	Closed	20,000
2009 A Program, dated October 22, 2009		29,360
2009 GSE Program, dated November 22, 2011		25,000
2015 Program, dated September 24, 2015		20,000
2016 Program, dated November 3, 2016		9,725

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

The Authority's Board of Trustees is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. Under each of its single family mortgage purchase bond programs, the Authority utilizes area financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as the Trustee of the separate bond programs and has the fiduciary responsibility for the custody and investment of funds.

The President & CEO is responsible for the development of each new bond issue and loan program. Once the bond issue is closed, the President & CEO supervises the origination of the mortgage loans, underwrites (reviews and approves) the new mortgage loans for purchase under each program, maintains computerized current records on all loans, and supervises the servicing and trustee functions for each program.

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

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

Basis of Accounting - The Authority prepares financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

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

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

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

GASB Statement No. 72 - In February 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72 (GASB 72), Fair Value Measurement and Application. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Additional disclosures are included in Note 2.

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

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

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

Summary Financial Information for 2018 - The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

(2) Cash and Investments -

In compliance with State laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As a result of the pledging of additional securities by custodial banks in the Authority's name, the Authority does not have any custodial credit risk at December 31, 2019.

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

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

(1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana.

(2) Direct obligations of the U.S. Government, including such instruments as treasury bills, treasury notes and treasury bonds and obligations of U.S. Government agencies that are deliverable on the Federal Reserve Systems.

(3) Repurchase agreements in government securities in (2) above made with the 24 primary dealers that report to and are regulated by the Federal Reserve Bank of New York.

(4) Guaranteed Investment Contracts with companies with good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2019, the Authority's investments in MBS with GNMA, FNMA, and FHLMC are rated AAA by taking the average of the Moody's Investors Services, Standard and Poor, and Fitch ratings. The Authority has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

The Authority has a portion of its assets as of December 31, 2019, invested in GNMA, FNMA, and FHLMC obligations, including MBS, totaling approximately $39.803 million. GNMA is an instrumentality of the Federal government. Its obligations carry the full faith and credit of the United States of America. Neither FNMA nor FHLMC are instrumentalities of the federal government and as such do not carry the full faith and credit of the United States of America. FNMA is a federally chartered and stockholder-owned corporation. FNMA was originally established in 1938 as a United States government agency and was transformed into a stockholder-owned and privately managed corporation in 1968. FHLMC is a stockholder-owned government sponsored corporation created in 1970. The Authority's total investment in FNMA and FHLMC obligations (including MBS) as of December 31, 2019, was approximately $7.956 million. Any potential downgrade in the credit rating of either FNMA and/or FHLMC could have an adverse impact on the market value of the obligations of FNMA and/or FHLMC (including MBS) owned by the Authority. In connection with the approximately $7.661 million of FNMA and FHLMC MBS, which the Authority has pledged to bondholders pursuant to separate trust indentures authorizing various bond issues, the asset portion of these various balance sheets could be adversely affected while the liabilities are not since the liabilities are not marked to market. However, any financial risk to the Authority is entirely mitigated since the bond indentures authorizing the Authority's bonds do not provide any acceleration of the Authority's bonded debt as a result of potential downgrade of either FNMA and/or FHLMC credit rating.

For the year ended December 31, 2019, the Authority recognized $1.173 million in net unrealized gains in the Net Increase in the Fair Value of Investments.

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2019, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority, or collateralized by other investments pledged in the name of the Authority.

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

To mitigate this risk, state law requires for these deposits (of the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the Authority regardless of its designation by the financial institution in which it is deposited. As of December 31, 2019, none of the Authorities bank balance of $12.032 million was exposed to custodial credit risk.

Fair Value of Financial Instruments

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

The Authority has the following recurring fair value measurements (in thousands) as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Brokered Certificates of Deposit	$ 6,202	$ -	$ -	$ 6,202
Guaranteed Investment Agreements	-	-	218	218
State, U.S. Government and Agency Securities	-	7,089	-	7,089
Mortgage-Backed Securities	-	39,508	-	39,508
Total Investments at Fair Value	$ 6,202	$ 46,597	$ 218	$ 53,017

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

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

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

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

	Term	Pass Through Interest Rate
2009 A Program	30 years	4.875% - 7.100%
2009 GSE Program	30 years	3.250% - 4.125%
2015 Program	30 years	4.250% - 7.000%
2016 Program	30 years	5.125% - 5.475%
Unrestricted Fund	30 years	3.000% - 7.500%

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

(4) Changes in Capital Assets -

Capital asset activity for the year ended December 31, 2019 (in thousands):

Governmental Activities	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital Assets not being Depreciated:				
Land	$ 1,006	$ -	$ -	$ 1,006
Construction in Process	-	10	-	10
Total	1,006	10	-	1,016
Capital Assets being Depreciated:				
Furniture and Fixtures	250	5	5	250
Building and Improvements	937	-	-	937
Total	1,187	5	5	1,187
Less Accumulated Depreciation for:				
Furniture and Fixtures	174	27	4	197
Building and Improvements	147	25	-	172
Total Accumulated Depreciation	321	52	4	369
Total Capital Assets being Depreciated, Net	866	(47)	1	818
Capital Assets, Net	$ 1,872	$ (37)	$ 1	$ 1,834

Depreciation is being calculated using the straight-line method over the estimated useful life of capital assets. Depreciation expense was $51,974 for the year ended December 31, 2019.

(5) Notes Receivable -

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

On November 19, 2018, the Authority entered into a $42,967 mortgage note receivable agreement with Urban Restoration Enhancement Corporation, which is secured by land, building and improvements located in East Baton Rouge Parish. The note is payable in 18 monthly interest only installments beginning on January 1, 2019, with one final installment of all unpaid principal and interest due at the maturity date of June 1, 2020. The interest rate is fixed at 4% for 2019 - 2020.

During 2018, the Authority entered into an agreement with Louisiana Housing Corporation (LHC) in which the Authority is the secondary lender to various contractors working to repair and rebuild flooded homes in the area. The contractors work under the terms of a grant issued to LHC. There are no formal defined terms between the Authority and LHC; however, payments to the Authority are generally due upon completion of construction and following occupancy of the property. As of December 31, 2019, outstanding amounts due to the Authority from three contractors totaled $79,258 and are included as due in the year ended December 31, 2020 in the Schedule of Payments.

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

On May 23, 2019, the Board of Trustees authorized a line of credit to The East Baton Rouge Redevelopment Association (Build Baton Rouge) for property acquisition and redevelopment totaling $300,000. The line of credit was later increased to $865,000 effective October 7, 2019. Each draw on the line of credit is secured by a separate promissory note and mortgage. The notes are payable in 36 monthly interest only installments, with one final installment of all unpaid principal and interest due at the maturity. The interest rate is fixed at 4%. As of December 31, 2019, outstanding amounts due to the Authority under the line of credit totaled $295,115 and are included as due in the year ended December 31, 2022 in the Schedule of Payments. Undisbursed amounts under this line of credit agreement total $569,885 as of December 31, 2019.

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

Year Ended	Amount
December 31, 2020	$ 450
December 31, 2021	16
December 31, 2022	312
December 31, 2023	17
December 31, 2024	18
Thereafter	384
	$ 1,197

(6) Bonds Payable -

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

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans and mortgage-backed securities acquired, all revenues and collections with respect to such loans and securities and all funds established by the Indenture, together with all of the proceeds generated therefrom.

Outstanding bonds and lines of credit payable consist of the following at December 31, 2019 (in thousands):

2009 A Program, due serially and term from 2020 through 2040, bearing interest at 4.0% to 5.25% payable semiannually	$ 4,065
Plus unamortized bond premium	14
Total - 2009A Program	4,079
2009 GSE Program (Escrow bond), due 2042 bearing interest at 2.32% payable monthly	14,030
2015 Program, due 2038 bearing interest at 2.90% payable monthly	10,077
2016 Program, due 2038 bearing interest at 2.38% payable monthly	6,087
Total Bonds - Net at December 31, 2019	$ 34,273

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

A summary of changes in debt during the year ended December 31, 2019 (in thousands), is as follows:

Balance - January 1	$ 39,123
Repayments and Maturities	(4,829)
Amortization of Premium	(21)
Balance - December 31	$ 34,273

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

Scheduled principal payments for the years subsequent to December 31, 2019, are as follows (in thousands):

	2020	2021	2022	2023	2024	Thereafter	Total
2009 A Program	$ 35	$ 1,635	$ -	$ -	$ 105	$ 2,290	$ 4,065
2009 GSE Program	-	-	-	-	-	14,030	14,030
2015 Program	-	-	-	-	-	10,077	10,077
2016 Program	-	-	-	-	-	6,087	6,087
	$ 35	$ 1,635	$ -	$ -	$ 105	$ 32,484	34,259
Plus Unamortized Premium							14
Total Outstanding- December 31, 2019							$ 34,273

Scheduled interest payments for the years subsequent to December 31, 2019, are as follows: (in thousands)

	2020	2021	2022	2023	2024	Thereafter	Total
2009 A Program	$ 207	$ 206	$ 120	$ 120	$ 120	$ 929	$ 1,702
2009 GSE Program	325	325	325	325	325	5,781	7,406
2015 Program	292	292	292	292	292	3,874	5,334
2016 Program	145	145	145	145	145	1,993	2,718
	$ 969	$ 968	$ 882	$ 882	$ 882	$ 12,577	$ 17,160

(7) Deferred Inflow of Resources -

The Individual Programs and Unrestricted Fund Balance Sheets report a separate section for deferred inflows of financial resources. Deferred inflows of resources represent an acquisition of a net position that applies to future periods and so will not be recognized in an inflow of resources until that time. The Authority has deferred inflows of resources that are a result of the refunding of the 2004A and 2006A programs. The net carrying amount exceeded the reacquisition price of the old debt by a total of $105,002. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. At December 31, 2019, the unamortized balance is $86,505.

(8) Operating Expenses -

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended December 31, 2019, payments to the Authority's Board members were as follows:

Board Member	
Cheri Ausberry	$ 5,200
Dennis Blunt	4,400
Jason Thrower	2,000
Astrid Clements	5,400
Helena Cunningham	4,200
Blaine Grimes	5,400
Valerie Shexnayder	4,200
Russell Mosely	3,400
Sharon Perez	5,400
Total	$ 39,600

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

(9) Authority Fees -

Beginning with the 1992 Programs, the Authority instituted an authority fee which is paid to the Unrestricted Fund by the individual programs. The Unrestricted Fund recognizes authority fee income related to the fees paid by the individual programs. The fee income received by the Unrestricted Fund is currently being used to provide the upfront funds required of the Authority's annual programs in order to finance such things as costs of issuance of bonds, subsidizing lower income mortgagors with waivers of discount points and providing down payment assistance to mortgagors. The actual fees paid by each program vary in accordance with the provisions of the respective program's indenture agreement. Authority fee income recognized by the Unrestricted Fund and Authority fee expense recognized by the individual programs are disclosed separately in the accompanying statements of revenues, expenses, and changes in net position (deficit).

(10) CAFA Gold Program -

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

Costs related to this program are capitalized and are being forgiven based upon the average lives of the underlying assets. The remaining unamortized balance totaling $231,575 is classified as mortgage loans receivable on the accompanying balance sheets. During the year ended December 31, 2019, there was no forgiveness amortization recorded, as all underlying assets have “lock out” periods ranging from 2 to 5 years, during which loan forgiveness is not permitted.

(11) PILOT Program -

On January 29, 2019, the Authority entered into an act of transfer of property and improvements agreement and a grounds and building lease agreement (“Lease”) with La Playa Housing Partners, LLC (“Company”) for a Project - 140 +/- unit apartment development. The Company transferred all rights, title and interest in the Project to the Authority in order to take advantage of the Authority’s tax-exempt status. The transfer was made and accepted for and in consideration of a payment in lieu of taxes (“PILOT”) agreement with local taxing authorities and the Lease. As part of these agreements, the Project gets 100% ad valorem tax exemptions on all future improvements to the Project and a freeze on ad valorem taxes at the time of the agreement due in part from the land and current improvements. Under the Lease agreement, the Authority leased the land and buildings back to the Company and pursuant to which the Company agreed to make certain lease payments and payments in lieu of taxes (PILOT) to the appropriate taxing authorities. The Annual PILOT payment is paid directly to tax collector or the Authority for remittance to the tax collector in an amount of $50,400 each year until the earlier of December 31, 2034 or termination of proposed service plan for tenants. Pursuant to the terms of Lease, the Company shall pay an upfront fee of $20,000 to the Authority and an annual administrative fee to the authority on or before January 31 of each year commencing January 31, 2020 in the amount of $5,000 which fee shall be adjusted upward by three percent per annum each January 31 thereafter commencing January 31, 2021. At all times during the term of the Lease, the Company shall be entitled to all of the tax attributes of ownership, including the right to claim depreciation or cost recovery deductions, the right to claim the low-income housing tax credit, and the right to amortize capital cost and to claim any other federal or state tax benefits. Per the Lease agreement, at any time during the agreement, the Company may provide written notice its intent to purchase the Project from the Authority for $1,000 and terminate the agreements. The Lease expires December 31, 2039.

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

(12) Commitments -

The Capital Area Finance Authority promotes economic development in the parish through its community grants program for non-profit organizations. The program provides grant funds and capital funds to be used for projects by non-profit organizations that advance the Authority's mission in increasing home ownership. Grants are awarded to organizations and agencies within East Baton Rouge Parish for use in East Baton Rouge Parish. At December 31, 2019, the Capital Area Finance Authority had no outstanding grants for the 2020 fiscal year.

(13) Transfers Among Programs -

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

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

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Mark Drennen, President & CEO, for the year ended December 31, 2019:

Salary	$	327,500
Benefits - Health Insurance		37,085
Benefits - Retirement		9,825
Mileage and Parking Reimbursement		264
Conference Registration Fees		450
Conference Travel and Meals		1,478
	$	376,602

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

The Authority has a health insurance plan, administered by Blue Cross Blue Shield of Louisiana, which pays 100% of the premium for all employees and their families. In addition to the health insurance, the Authority has a Simple IRA plan for all employees which it provides matching of employee contributions of up to 3% of the employee's annual salary and maximum employee contribution of $12,500 per employee. The Authority contributed $21,934 to the plan in 2019.

(16) Subsequent Events -

The COVID-19 virus (commonly referred to as the "Corona Virus") pandemic and the uncertainty as to its severity and duration has caused significant disruption in 2020 for the Authority, its employees, vendors, as well as for homeowners and the financial markets. The extent of the impact on the Authority's financial condition and results of operations cannot be reasonably estimated at this time.

The Authority evaluated subsequent events and transactions for potential recognition or disclosure in the finance statements through June 18, 2020, the date which the financial statements were available to be issued.

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

Hannis T. Bourgeois
CPAs + Business Advisors

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities which include each of the individual programs, FutureVision, LLC, the unrestricted fund, and the 2019 combined financial statements of the Capital Area Finance Authority (the Authority) as of and for the year ended December 31, 2019, 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 18, 2020.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
June 18, 2020

CAPITAL AREA FINANCE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2019

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None

CAPITAL AREA FINANCE AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2019

A. Internal Control Over Financial Reporting

None

B. Compliance and Others Matters

None

CAPITAL AREA FINANCE AUTHORITY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2019

BATON ROUGE, LOUISIANA

HTB Hannis T. Bourgeois
CPAs + Business Advisors

2322 Tremont Drive ● Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C ● Denham Springs, LA 70726
650 Poydras Street, Suite 1200 ● New Orleans, LA 70130
Phone: 225.928.4770 ● Fax: 225.926.0945
www.htbcpa.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Capital Area Finance Authority (the Authority) 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, 2019 through December 31, 2019. The Authority'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 exceptions are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. – **No exceptions.**

Collections (excluding EFTs)

1. 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). – **No exceptions.**

2. 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. – **No exceptions.**

   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. – **No exceptions.**

   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. – **No exceptions.**

   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. – **No exceptions.**

3. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft. – **No exceptions.**

4. Randomly select two deposit dates for the main operating bank account (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 deposit and:

   a) Observe that receipts are sequentially pre-numbered. – **No exceptions.**

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No exceptions.**

   c) Trace the deposit slip total to the actual deposit per the bank statement. – **No exceptions.**

   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). – **No exceptions.**

   e) Trace the actual deposit per the bank statement to the general ledger. – **No exceptions.**

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

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

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
June 18, 2020