VISIT BATON ROUGE

FINANCIAL REPORT

DECEMBER 31, 2014

P&N

VISIT BATON ROUGE

FINANCIAL REPORT

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P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Visit Baton Rouge (VBR) as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise VBR's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Visit Baton Rouge as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress for other post-employment benefit plan, and the budgetary comparison information on pages 4-10, 27, and 28-29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Visit Baton Rouge basic financial statements. The schedule of compensation, benefits and other payments to Chief Executive Officer – Act 706 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Chief Executive Officer – Act 706 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Chief Executive Officer – Act 706 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 April 23, 2015 on our consideration of VBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VBR's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 23, 2015

VISIT BATON ROUGE
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

This section of Visit Baton Rouge's annual financial report presents our discussion and analysis of VBR's financial performance during the fiscal year that ended on December 31, 2014. Please read it in conjunction with VBR's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- VBR's net position was $3,810,844 which included $124,000 related to the BP grants at December 31, 2014, an increase of 2.12% from net position as of December 31, 2013 of $3,731,743 which included $342,000 related to the BP grants.
- The overall increase in VBR's net position of $79,101 can be attributed primarily to an operating surplus in the general fund that resulted from revenues exceeding expenditures for the year in the current year due to higher than expected tax collections. In 2013, there was an increase in net position of $424,648 mainly due to the BP grants awarded which resulted in a net position of $3,731,743 at December 31, 2013.
- The general fund ended the years 2014 and 2013 with a $2,799,856 and $2,473,838 fund balance which represents approximately 66% and 65% of annual expenditures, respectively. Of that balance, $1,516,516 and $1,006,271, respectively, was unassigned and available for general use.
- VBR received the final installment of grant funds (BP Grant Funds) of $90,000 in 2014 from BP related to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico to sponsor events in the Baton Rouge area to increase tourism.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The government-wide financial statement of net position and statement of activities provide long-term information about VBR's overall financial status and economic condition.
- The fund financial statements focus on the general fund and the special revenue fund of VBR. These financial statements provide a short-term picture of VBR's financial condition, telling how VBR fared in meeting its current operating needs, and how much is available for future spending.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

FINANCIAL ANALYSIS OF VBR

Table A-1
Net Position

	2014	2013
Current and other assets	$ 3,024,814	$ 2,911,242
Due from other funds	-	118,000
Capital assets	1,533,375	1,566,914
Total assets and deferred outflows	**4,558,189**	**4,596,156**
Current liabilities	100,958	121,804
Due to other funds	-	118,000
Long term liabilities	646,387	624,609
Total liabilities and deferred inflows	**747,345**	**864,413**
Net position		
Net investment in capital assets	930,975	938,114
Restricted – BP grant	124,000	342,000
Unrestricted	2,755,869	2,451,629
Total net position	**$ 3,810,844**	**$ 3,731,743**

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

Change in net position

VBR's change in net position, or overall net gain, was $79,101. The change in net position results from revenues exceeding expenses. The net gain is primarily attributable to an increase in tax revenues due to the increase in events held during the year. In 2014, the events that helped bring tourism and visitors to the Capital Region included Bayou Country Superfest, the Miss USA pageant and the 2014 U.S. Youth Soccer Region 111 Championship tournament.

Change in net position (continued)

Table A-2 shows the composition of revenues and summarizes the expenses for the years ended 2014 and 2013.

Table A-2
Changes in VBR's
Net Position

	2014	2013
Revenues		
Program revenues		
Charges for services	$ -	$ 33
Total program revenues	-	**33**
General revenues		
Hotel-Motel taxes	4,541,264	3,989,263
Interest	675	1,524
Miscellaneous	13,715	9,233
Total general revenues	**4,555,654**	**4,000,020**
Special revenues		
BP grants	90,000	860,000
Total special revenues	**90,000**	**860,000**
Total revenues	**4,645,654**	**4,860,053**
Expenses		
Payroll	1,666,417	1,618,418
Promotions	1,861,117	1,569,327
General and Administrative	636,019	605,190
BP oil funds expenses	-	29,470
BP grant expenses	308,000	518,000
Contributions- other organizations	95,000	95,000
Total expenses	**4,566,553**	**4,435,405**
Increase in net position	**$ 79,101**	**$ 424,648**

Change in net position (continued)

Hotel-Motel taxes of $4,541,264 reflect a 14% increase over 2013 revenues, due to the favorable economic conditions, as well as several major events that occurred in 2014, and represents approximately 98% of total revenues for 2014. This underscores the importance of the tourism industry to VBR and its mission. In 2014, there were additional revenues related to the BP grants of $90,000 which is a grant to address tourism concerns in the East Baton Rouge Parish, and represents approximately 2% of total revenues for 2014.

Payroll and promotional activities together represent 77% and 72% of total expenses in 2014 and 2013, respectively, underscoring the importance of quality employees to promote and sell Baton Rouge as a tourism and convention destination.

Financial Analysis of the General Fund and Special Revenue Funds

VBR completed the years ended 2014 and 2013 with a general fund balance of $2,799,856 and $2,473,838, respectively. Of the 2014 fund balance, $1,020,867 has been set-aside by the Board for various functions, $262,473 has been disbursed and is recorded as a prepaid asset, and $1,516,516 is available for general use. The unassigned fund balance is the result of an accumulation of prior year operating surpluses and will allow VBR to continue operations in times of decreasing revenue and to pursue other projects as it may deem appropriate.

The BP grant funds had a beginning fund balance of $342,000. The final installment of $90,000 was received in 2014. During 2014, $308,000 has been disbursed for related expenses. The non-spendable fund balance of $124,000 is related to a prepaid advertising contract to promote tourism in Baton Rouge.

General Fund Budgetary Highlights

Over the course of the year, the Board revised VBR's budget. These budget amendments, however, did not significantly change revenues and decreased several of the expenditures there by reducing the excess of expenditures over revenues. The budget amendment decreased the expenditure accounts for salaries and general/admin expenses.

Under the revised budget, the general fund operated at a net surplus of $326,018, which was $787,341 more favorable than the budgeted operating deficit of $461,323. This favorable result is attributable to VBR receiving a favorable increase of $423,264 in tax revenues over the budget amount.

CAPITAL ASSETS

At the end of December 31, 2014 and 2013, VBR had invested $1,533,375 and $1,566,914, respectively, in a building, office equipment and vehicles. See Table A-3. This amount represents a net decrease (including additions and deductions) of $33,539 or 2.14% from last year.

	Table A-3 VBR's Capital Assets (net of depreciation)				
		2014			2013
Equipment	$	353,306		$	348,538
Building		1,453,790			1,453,790
Land		220,000			220,000
Automobiles		22,706			22,706
Accumulated depreciation		(516,427)			(478,120)
Total	**$**	**1,533,375**		**$**	**1,566,914**

This year's major changes to Capital Assets included:

- Removal of approximately $44,000 of fully depreciated assets (accounting records only). There were minimum purchases of equipment during the year, which included audio/visual upgrades to the Board Room.

LONG TERM DEBT

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow $1,000,000 for the purpose of paying for the improvement, renovation and equipping of the new headquarters of VBR. VBR utilized $750,000 of the $1,000,000 available. The outstanding balance at December 31, 2014 and 2013 was $602,400 and $628,800, respectively.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In 2013, Visit Baton Rouge approved the funding of post employment medical and long term care for retired employees for the first time. Prior to 2013, no benefits of any type were offered to retired employees. Visit Baton Rouge's portion of the funding costs for retired employees was $2,479 for the years ended December 31, 2014 and 2013 and the long term obligation was $43,987 and $22,209 for years ended December 31, 2014 and 2013, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

VBR's primary source of revenue is the Hotel-Motel tax. Revenues are expected to increase due to the increase of the brand of Baton Rouge and hotel room availability. VBR has also committed $200,000 in funding for the 2015 Bayou Country Superfest. This event attracts numerous people to the Capital City for the weekend concert event. The VBR Board has also approved $200,000 in funding for the 2015 Miss USA Competition that will be returning to Baton Rouge.

CONTACTING VBR'S FINANCIAL MANAGEMENT

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

VISIT BATON ROUGE
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	General Fund	BP Grants	Adjustments	Statement of Net Position
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,107,245	$ -	$ -	$ 1,107,245
Cash - board designated	1,020,867	-	-	1,020,867
Receivables	510,229	-	-	510,229
Prepaid expenses	262,473	124,000	-	386,473
Capital assets, net of accumulated depreciation	-	-	1,533,375	1,533,375
TOTAL ASSETS	2,900,814	124,000	1,533,375	4,558,189
DEFERRED OUTFLOWS	-	-	-	-
LIABILITIES				
Accounts payable	70,773	-	-	70,773
Other current liabilities	30,185	-	-	30,185
Long-term liabilities				
Due within one year	-	-	26,400	26,400
Due in more than one year	-	-	576,000	576,000
Other post-employment benefit obligation	-	-	43,987	43,987
TOTAL LIABILITIES	100,958	-	646,387	747,345
DEFERRED INFLOWS	-	-	-	-
FUND BALANCES/NET POSITION				
Nonspendable - prepaids	262,473	124,000	(386,473)	-
Committed - board designated	1,020,867	-	(1,020,867)	-
Unassigned - undesignated	1,516,516	-	(1,516,516)	-
TOTAL FUND BALANCE	2,799,856	124,000	(2,923,856)	-
TOTAL LIABILITIES AND FUND BALANCE	$ 2,900,814	$ 124,000		
Net position:				
Net investment in capital assets			930,975	930,975
Restricted for BP grants			124,000	124,000
Unrestricted			2,755,869	2,755,869
TOTAL NET POSITION			$ 3,810,844	$ 3,810,844

The accompanying notes are an integral part of this statement.

VISIT BATON ROUGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total fund balances - Governmental funds		$ 2,923,856
Cost of capital assets at December 31, 2014	2,049,802	
Less: accumulated depreciation as of December 31, 2014	(516,427)	1,533,375
Other post-employment benefits obligation		(43,987)
Contract payable		(602,400)
Net position at December 31, 2014 - Governmental Activities		$ 3,810,844

The accompanying notes are an integral part of this statement.

VISIT BATON ROUGE
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	BP Grants	Adjustments	Statement of Activities
Expenditures/expenses:				
Salaries and commissions	$ 1,236,415	$ -	$ -	$ 1,236,415
Payroll taxes and benefits	430,002	-	-	430,002
Advertising and promotion	1,147,755	108,000	-	1,255,755
Trade shows and FAM/Site visits	132,948	-	-	132,948
Special promotions	580,414	200,000	-	780,414
General and administrative	523,532	-	-	523,532
Contributions to Baton Rouge Area Sports Foundation	95,000	-	-	95,000
Debt service:				
Bond interest expense	8,008	-	-	8,008
Principal retirement	26,400	-	(26,400)	-
Capital outlay	49,162	-	(49,162)	-
Other post-employment benefit obligation	-	-	21,778	21,778
Depreciation expense	-	-	82,701	82,701
Total expenditures/expenses	4,229,636	308,000	28,917	4,566,553
Program revenues:				
Charges for services	-	-	-	-
Net program expense				4,566,553
General revenues:				
Tax revenue	4,541,264	-	-	4,541,264
Interest income	675	-	-	675
Miscellaneous income	13,715	-	-	13,715
Total general revenues	4,555,654	-	-	4,555,654
Special revenues: BP grants	-	90,000	-	90,000
Total Revenues	4,555,654	90,000	-	4,645,654
Excess of revenues over expenditures/ change in net position	326,018	(218,000)	(28,917)	79,101
Fund balance/net position				
Beginning of year	2,473,838	342,000		3,731,743
End of year	$ 2,799,856	$ 124,000		$ 3,810,844

The accompanying notes are an integral part of this statement.

VISIT BATON ROUGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2014

Excess of revenues over expenditures		$	108,018
The change in net position reported for governmental activities in the statement of activities is different because of:			
Capital assets:			
Capital assets acquired for the year ended December 31, 2014	49,162		
Depreciation expense for year ended December 31, 2014	(82,701)		(33,539)
Other post-employment benefit obligation			(21,778)
Long Term Debt:			
Principal portion of debt service payments			26,400
Change in net position		$	79,101

The accompanying notes are an integral part of this statement.

VISIT BATON ROUGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

Reporting Entity

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

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management believes all accounts are collectible at December 31, 2014.

Basis of Presentation and Accounting

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

Governmental Fund Types:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

VBR adopted GASB No. 65, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position is when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is VBR's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

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

Compensated Absences

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

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

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

Capital Assets

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

Prepaid Items

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

2. BOARD MEMBER COMPENSATION

The Board Members of VBR did not receive any compensation during 2014.

3. RELATED PARTY TRANSACTIONS

VBR contributed $95,000 to an organization related through common oversight authority during 2014.

VBR provided office space to two organizations related through common oversight authority during 2014. This office space was provided free of charge to the related organizations.

4. CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of financial institution failure, VBR's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the carrying amount of VBR's deposits was $1,107,245 and the bank balance was $1,192,136. The amounts were completely collateralized and/or insured at December 31, 2014.

VBR also invested $1,020,867 at December 31, 2014, in the Louisiana Asset Management Pool (LAMP), Inc. a local government investment pool. In accordance with GASB Codification Section I50.125, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the value of the pool shares.

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

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. VBR's investment policy limits investments to those discussed earlier in this section. LAMP has a Standard & Poor's Rating of AAAm.

5. CAPITAL ASSETS

	2014			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 348,538	$ 49,162	$ (44,394)	$ 353,306
Building	1,453,790	-	-	1,453,790
Land	220,000	-	-	220,000
Automobiles	22,706	-	-	22,706
	$ 2,045,034	49,162	(44,394)	$ 2,049,802
Less: Accumulated Depreciation	$ 478,120	82,701	(44,394)	$ 516,427
Net Capital Assets	$ 1,566,914			$ 1,533,375

6. COMMITTED FUND BALANCE – BOARD DESIGNATED

The board has committed $1,020,867 of fund balance for special projects, operations, and building repairs. Separate accounts have been established to hold assets earmarked for these committed purposes. A summary of these accounts is as follows:

	2014			
	Beginning Balance	Additions	Deletions	Ending Balance
LAMP – Special Project Account	$ 355,620	247	(-)	$ 355,867
LAMP – Operations Account	475,000	120	(120)	475,000
LAMP – Building Repair Account	140,000	50,037	(37)	190,000
	$ 970,620	$ 50,404	($ 157)	$ 1,020,867

7. RETIREMENT PLAN

VBR contributed 10% in 2014, of each eligible employee's salary to an employee defined contribution retirement plan. In order to be eligible under the plan, the employee must have earned at least $400 in the previous year and be at least 21 years old. Employees are 100% vested at the time of eligibility. VBR contributed $109,973 for the year ended December 31, 2014. Effective January 1, 2013, part-time employees were no longer covered under the Plan.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description – Visit Baton Rouge's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. Visit Baton Rouge funds the plan for long term care benefit through LifeSecure Insurance Company, Metropolitan Life Insurance Company (MetLife), and Genworth Life Insurance Company. In order to obtain a copy of the financial reports for each respective insurance companies may be obtained by writing to each respective companies at LifeSecure Insurance Company, 10559 Citation Drive Suite 300 Brighton, Michigan 48116, MetLife, P.O. Box 990028, Hartford, CT 06199-0028, or Genworth Financial, P.O. Box 40007, Lynchburg, VA 24506-9939.

Contribution Rates – All OPEB benefits are insured by various commercial insurance companies. The premium rates for both the dental and vision insurance coverage is a single monthly rate. The premium rates for the Long Term Care Insurance coverages are sex distinct, level monthly premiums based on the age the employees were at the time that the coverage was purchased. LTC rates are guaranteed renewable for life and rates can only be changed prospectively for all policies in the same class and only if any rate increase is approved by the Department of Insurance.

Fund Policy – In 2013, Visit Baton Rouge approved the funding of post employment medical and long term care for retired employees for the first time. Prior to 2013, no benefits of any type were offered to retired employees. Visit Baton Rouge's portion of the funding costs for retired employees was $2,479 for the years ended December 31, 2014 and 2013.

Effective December 31, 2013, Visit Baton Rouge implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution – Visit Baton Rouge's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2014
Normal cost	$ 13,567
30-year UAL amortization amount	11,121
Annual required contribution (ARC)	$ 24,688

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net Post-employment Benefit Obligation (Asset) – The table below shows Visit Baton Rouge's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	2014
Beginning Net OPEB Obligation	$ 22,209
Annual required contribution	24,688
Interest on Net OPEB Obligation	777
ARC Adjustment	(1,208)
OPEB Cost	24,257
Current year retiree premium	(2,479)
Change in Net OPEB Obligation	21,778
Ending Net OPEB Obligation	$ 43,987

The following table shows the Visit Baton Rouge's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2014	$ 24,257	10.22%	$ 43,987
December 31, 2013	24,688	10.04%	22,209

Funded Status and Funding Progress – In 2014 and 2013, Visit Baton Rouge made no contributions in excess of the amount currently due to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2014 was $230,591 which is defined as that portion, as determined by a particular actuarial cost method (Visit Baton Rouge uses the Unit Credit (Projected) Normal Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	2014	2013
Actuarial Accrued Liability (AAL)	$ 230,591	$ 211,705
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	$ 230,591	$ 211,705
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	$ 1,063,154	$ 1,124,912
UAAL as a percentage of covered payroll	21.69%	18.82%

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by Visit Baton Rouge and its employee plan members) at the time of the valuation and on the pattern of sharing costs between Visit Baton Rouge and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between Visit Baton Rouge and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC of an employer represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The normal cost and actuarial accrued liability are calculated as of the census date. ARC interest costs are calculated based on the lesser of the time between the census date and fiscal year end, and 1 year. The discount rate for amortization purposes is determined by the amortization method selected. For level percent of pay amortization, it is the normal discount rate divided by the inflation rate. For level dollar amortization it is the normal discount rate. This method used is called the Projected Unit Credit Normal Method.

Actuarial Value of Plan Assets – The plan has no assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate – Employees termination rates were the same used by the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. The rates were as follows:

Age	Withdrawal
20	.079
30	.072
40	.052
50	.026
60	.001

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Turnover Rate (continued)

The turnover rates are modified as follows, based on years of employment:

Year	Percentage Multiplier
0-1	330%
2	225%
3	180%
4-10	150%
11-15	60%
16 +	40%

Retirement Rates – All employees are assumed to retire at the later of age 62 or 15 years of service

Participation rate – 100% of employees currently are enrolled in the OPEB plans

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 3.5% annual investment return has been used in this valuation.

Mortality Rate – The 2013 Morality Table for males and females, is used. See the rates below:

Age	Male	Female	Age	Male	Female
20	.000202	.000122	55	.002235	.002205
25	.000284	.000139	60	.004700	.004502
30	.000386	.000199	65	.009536	.008750
35	.000672	.000348	70	.016155	.014856
40	.000862	.000462	75	.028415	.023795
45	.001058	.000716	80	.052647	.039866
50	.001396	.001068	85	.096240	.068664

Disability Rates – Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System increased at all ages by 125%

Inflation Rate – Included in both the Investment Return Assumption rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases – This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Post-retirement Benefit Increases – Active employees are assumed to continue their current coverage into retirement. Retirees are assumed to continue their current coverage.

Below is a summary of OPEB cost and contributions for the last fiscal calendar year.

	OPEB Costs and Contributions	
	FY 2014	FY 2013
OPEB Cost	$ 24,257	$ 24,688
Contribution	-	-
Retiree premium	2,479	2,479
Total contribution and premium	2,479	2,479
Change in net OPEB obligation	$ 21,778	$ 22,209
% of contribution to cost	0.00%	0.00%
% of contribution plus premium to cost	10.22%	10.04%

9. RECEIVABLES

General Fund Receivables as of December 31, 2014 consisted of the following:

Hotel-Motel Taxes Receivable	$ 506,569
Other Receivables	3,660
	$ 510,229

10. CONTRACT PAYABLE

On September 21, 2007, VBR entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow $1,000,000 for the purpose of providing funding for the improvement, renovation and equipping of the new headquarters of VBR. In 2008, VBR drew down $750,000 of the $1,000,000 available for this purpose. The amount borrowed is due in monthly payments amortized over the life of the contract, bearing interest at the Securities Industry and Financial Markets Association (SIFMA) rate plus 1.2%. The interest rate at December 31, 2014 was 1.74%. Principal repayments during 2014 were $26,400. This contract ends December 21, 2029. The contract is secured by and payable from the lawful and available funds of VBR. The outstanding balance at December 31, 2014 was $602,400.

10. **CONTRACT PAYABLE** (continued)

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

	Principal	Interest	Total
2015	$ 26,400	$ 10,271	$ 36,671
2016	28,400	9,798	38,198
2017	30,600	9,290	39,890
2018	33,200	8,733	41,933
2019	33,800	8,150	41,950
2020-2024	197,500	31,081	228,581
2025-2029	252,500	11,390	263,890
	$ 602,400	$ 88,713	$ 691,113

11. **COMMITMENTS**

VBR has entered into an agreement, dated October 3, 2014, with Festival Productions, Inc. – New Orleans for an event to be held in the City of Baton Rouge on May 22 through May 24, 2015. VBR will provide $200,000 in funding to ensure success of the event.

Effective November 2013, VBR entered into an agreement for billboard advertising. The contract is $540,000 of which $250,000 was paid at the time the agreement was signed. Payments of $9,000 a month are due from March 25, 2016 through October 24, 2018. A final payment of $11,000 is due on October 25, 2018. The prepaid advertising will be amortized on a straight-line basis over 27 months. As of December 31, 2014, the unamortized portion of the contract is $124,000. Amortization expense of $108,000 is included in the financial statements as of December 31, 2014.

12. **SUBSEQUENT EVENTS**

Management has evaluated events through the date that the financial statements were available to be issued, April 23, 2015 and determined that the following disclosure is necessary. The VBR Board has also approved $200,000 in funding for the 2015 Miss USA Competition that will be returning to Baton Rouge in July 2015.

REQUIRED SUPPLEMENTAL INFORMATION

VIST BATON ROUGE
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/13	12/31/13	$ -	$ 211,705	$ 211,705	0.00%	$ 1,124,912	18.82%
01/01/14	12/31/13	-	230,591	230,591	0.00%	1,063,154	21.69%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Beginning Net OPEB Obligation (a)	Annual OPEB Cost (b)	Contributions (c)	Percentage of OPEB Cost Contributed (c/b)	Ending Net OPEB Obligation (a+b-c)
12/31/13	$ -	$ 24,688	$ 2,479	10.04%	$ 22,209
12/31/14	22,209	24,257	2,479	10.22%	43,987

VISIT BATON ROUGE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Tax revenue	$ 4,118,000	$ 4,118,000	$ 4,541,264	$ 423,264
Interest income	570	570	675	105
Miscellaneous income	750	750	13,715	12,965
Total revenues	4,119,320	4,119,320	4,555,654	436,334
EXPENDITURES				
Salaries and commissions	1,289,945	1,257,781	1,236,415	21,366
Payroll taxes and benefits	453,981	433,131	430,002	3,129
Advertising and promotion	1,071,050	1,053,953	1,147,755	(93,802)
Trade shows and FAM/Site visits	157,055	147,792	132,948	14,844
Special promotions	573,500	784,158	580,414	203,744
General and administrative	645,545	721,778	523,532	198,246
Contributions to Baton Rouge Sports Foundation	95,000	95,000	95,000	-
Debt service:				
Bond interest	8,500	8,500	8,008	492
Principal retirement	26,500	26,500	26,400	100
Capital outlay	48,850	52,050	49,162	2,888
Total expenditures	4,369,926	4,580,643	4,229,636	351,007
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(250,606)	(461,323)	326,018	787,341
FUND BALANCE				
Beginning of year	2,473,838	2,473,838	2,473,838	-
End of year	$ 2,223,232	$ 2,012,515	$ 2,799,856	$ 787,341

VISIT BATON ROUGE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - BP GRANTS
YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Special revenues: BP grants	$ 90,000	$ 90,000	$ 90,000	$ -
Total revenues	90,000	90,000	90,000	-
EXPENDITURES				
Advertising and promotion	108,000	108,000	108,000	-
Special promotions: BP grants	200,000	200,000	200,000	-
Total expenditures	308,000	308,000	308,000	-
EXCESS OF REVENUES OVER EXPENDITURES	(218,000)	(218,000)	(218,000)	-
FUND BALANCE				
Beginning of year	342,000	342,000	342,000	-
End of year	$ 124,000	$ 124,000	$ 124,000	$ -

OTHER SUPPLEMENTAL INFORMATION

VISIT BATON ROUGE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2014

Agency Head Name: Paul Arrigo

Purpose	Amount	
Salary, including incentive and bonus	$	171,917
Benefits-insurance		32,206
Benefits-retirement		-
Deferred compensation		17,192
Benefits-other		6,996
Car allowance		12,946
Vehicle provided by government		-
Cell phone		1,833
Dues		7,055
Vehicle rental		-
Per diem		-
Reimbursements		2,330
Travel		3,352
Registration fees		2,840
Conference travel		5,249
Housing		-
Unvouchered expenses		-
Special meals		-
Other (including payments made by other parties on behalf of the agency head)		-

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Visit Baton Rouge (VBR) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise VBR's basic financial statements, and have issued our report thereon dated April 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 23, 2015