

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**

**DECEMBER 31, 2012**



A Professional Accounting Corporation

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# **EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2012 in comparison to the fiscal year ended December 31, 2011.

### **FINANCIAL HIGHLIGHTS**

- The Authority's total net position at year-end for both its Governmental and Business-Type Activities were \$8,493,244.
- The fourth year of operations resulted in an increase to net position of \$5,651,415 for both its Governmental and Business-Type Activities.
- The Authority received approximately \$3,500,000 more in grant and contribution income in 2012 than it received in 2011.
- The East Baton Rouge Community Development Entity, LLC (CDE), a blended component unit of the Authority, issued \$36,900,000 of New Markets Tax Credits.
- A significant funding source for 2011 was the seed grant from the East Baton Rouge Mortgage Finance Authority in the amount of \$1,000,000, which ended in 2011. The major revenue source for 2012 was administrative fees earned from the issuance of New Market Tax Credits.

### **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 presented in two separate columns that present different views of the Authority:

- The government-wide financial statements provide both long-term and short-term information about the Authority's overall financial status.
- The fund financial statements focus on individual parts of the Authority government, reporting the Authority's operations in more detail than the government-wide statements.

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. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Authority's financial statements, including the portion of the Authority's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

Figure A-1  
Major Features of Authority's Government-Wide and Fund Financial Statements

	<b>Government-wide Statements</b>	<b>Governmental Fund Financial Statements</b>	<b>Proprietary Fund Financial Statements</b>
Scope	Entire Authority government	The funds of the Authority	The funds of the Authority
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> </ul>
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

### **Government-wide Statements**

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. 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.

The two government-wide statements report the Authority's net position and how they have changed. Net position—the difference between the Authority's assets plus deferred outflows less liabilities and deferred inflows—is one way to measure the Authority's financial health.

- Over time, increases or decreases in the Authority's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional nonfinancial factors such as economic conditions.

### **Fund Financial Statements**

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

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

#### Governmental Fund Types

- Its General fund, which accounts for its seed funding from the East Baton Rouge Mortgage Finance Authority, as well as general and operational costs. This fund is considered to be a governmental fund type, meaning the cost of its activities are funded through public sources such as taxes, grants, and management fees from the CDE.
- Its NSP, MFA and Gustav/Ike Fund, all of which are considered to be special revenue funds, and account for the receipt and expenditure of grant programs funds which are restricted for certain programs or projects.

#### Proprietary Fund Types

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

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net position.** The Authority's net position at December 31, 2012 and 2011 is set forth below:

**Condensed Statement of Net Position**

	2012		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 4,624,050	\$ 3,039,154	\$ 7,663,204
Loans receivable	1,289,837	-	1,289,837
Capital assets	113,497	-	113,497
<b>Total assets</b>	<b>6,027,384</b>	<b>3,039,154</b>	<b>9,066,538</b>
Deferred outflows	-	-	-
Current liabilities	572,379	915	573,294
Internal balances	896,505	(896,505)	-
<b>Total liabilities</b>	<b>1,468,884</b>	<b>(895,590)</b>	<b>573,294</b>
Deferred inflows	-	-	-
Net position			
Invested in capital assets	113,497	-	113,497
Restricted	1,779,001	1,103,876	2,882,877
Unrestricted	2,666,002	2,830,868	5,496,870
<b>Total net position</b>	<b>\$ 4,558,500</b>	<b>\$ 3,934,744</b>	<b>\$ 8,493,244</b>

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

**Condensed Statement of Net Position**

	<b>2011</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 969,747	\$ 1,056,579	\$ 2,026,326
Loans receivable	800,000	-	800,000
Capital assets	133,710	-	133,710
<b>Total assets</b>	<b>1,903,457</b>	<b>1,056,579</b>	<b>2,960,036</b>
Deferred outflows	-	-	-
Current liabilities	118,207	-	118,207
Internal balances	(297,093)	297,093	-
<b>Total liabilities</b>	<b>(178,886)</b>	<b>297,093</b>	<b>118,207</b>
Deferred inflows	-	-	-
Net position			
Invested in capital assets	133,710	-	133,710
Restricted	800,000	414,077	1,214,077
Unrestricted	1,148,633	345,409	1,494,042
<b>Total net position</b>	<b>\$ 2,082,343</b>	<b>\$ 759,486</b>	<b>\$ 2,841,829</b>

Net position of the Authority is a result of the accumulation of revenues in excess of expenses since 2009, its first year of operations. The unrestricted portion of the net position represents amounts available to meet future obligations of the Authority.

**Changes in net position.** The Authority's revenues totaled approximately \$9,658,000 for 2012 and \$4,237,000 for 2011 and were comprised mostly of grants from the East Baton Rouge Mortgage Finance Authority and from fees generated through the issuance of tax credits. Revenues increased in 2012 primarily as a result of fees from issuance of New Market Tax Credits and increased grant funding. The Authority's expenses totaled approximately \$4,006,000 for 2012 and \$2,108,000 for 2011. The increase in expenses is attributable to a higher level of programs and activities undertaken in 2012 as the Authority grew more fully into its mission with expansion of its services and programs. These expenses were comprised primarily of salaries and benefits, legal fees, costs associated with the GAP Loan and Affordable Rental Loan Programs, and other professional costs associated with the issuance of the New Markets Tax Credits. The change in net position of \$2,476,157 for governmental activities and \$3,157,258 for business-type activities is reflective of operating surpluses which can be carried forward for use in future periods.



**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

**Condensed Statement of Revenues and Expenses**

	2012			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Elimination of</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Internal</u>	
			<u>Activity</u>	
<b>Revenues</b>				
Program revenues				
Grants & contributions	\$ 6,177,011	\$ -	\$ -	\$ 6,177,011
New Markets Tax Credit fees	2,706,402	3,349,350	(2,706,402)	3,349,350
Transfers of property (inventory)	-	7,920	-	7,920
Other income	60,503	63,148	-	123,651
<b>Total revenues</b>	<u>8,943,916</u>	<u>3,420,418</u>	<u>(2,706,402)</u>	<u>9,657,932</u>
<b>Expenses</b>				
Payroll & benefits	1,086,746	-	-	1,086,746
Asset management/Structuring fees	-	2,706,402	(2,706,402)	-
Legal & professional	378,820	-	-	378,820
Facility supplies	108,683	7,083	-	115,766
Other	2,425,111	74	-	2,425,185
<b>Total expenses</b>	<u>3,999,360</u>	<u>2,713,559</u>	<u>(2,706,402)</u>	<u>4,006,517</u>
Transfers out	<u>(2,468,399)</u>	2,468,399	-	-
<b>Net transfers</b>	<u>(2,468,399)</u>	<u>2,468,399</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>\$ 2,476,157</u>	<u>\$ 3,175,258</u>	<u>\$ -</u>	<u>\$ 5,651,415</u>

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

**Condensed Statement of Revenues and Expenses**

	<b>2011</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Elimination of Internal Activity</b>	<b>Total</b>
<b>Revenues</b>				
<b>Program revenues</b>				
Grants & contributions	\$ 2,656,217	\$ -	\$ -	\$ 2,656,217
New Markets Tax Credit fees	1,223,993	1,530,000	(1,223,993)	1,530,000
Transfers of property (inventory)	-	26,605	-	26,605
Other income	5,729	18,991	-	24,720
<b>Total revenues</b>	<b>3,885,939</b>	<b>1,575,596</b>	<b>(1,223,993)</b>	<b>4,237,542</b>
<b>Expenses</b>				
Payroll & benefits	988,072	-	-	988,072
Asset management/Structuring fees	-	1,223,993	(1,223,993)	-
Cost of property (inventory) sold	-	15,714	-	15,714
Legal & professional	673,266	57,512	-	730,778
Facility supplies	138,872	138	-	139,010
Other	234,065	33	-	234,098
<b>Total expenses</b>	<b>2,034,275</b>	<b>1,297,390</b>	<b>(1,223,993)</b>	<b>2,107,672</b>
Transfers out	(202,569)	202,569	-	-
<b>Net transfers</b>	<b>(202,569)</b>	<b>202,569</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>\$ 1,649,095</b>	<b>\$ 480,775</b>	<b>\$ -</b>	<b>\$ 2,129,870</b>

**FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

**Governmental Funds**

As the Authority completed 2012, its general fund reported a fund balance of \$2,666,002, approximately 168% of its 2012 general fund expenditures. This level of fund balance will serve as a reserve to draw upon during periods of decreased revenues. Revenues of the fund increased during 2012 when compared to 2011 due to increased fees generated through the issuance of New Market Tax Credits. The general fund ended 2012 with an actual operating surplus of \$1,519,230; \$61,318 more than the budgeted surplus.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2012**

**Enterprise Funds**

The Enterprise Funds of the Authority began activity in 2010. These funds account for the land acquisition program and the East Baton Rouge Community Development Entity, LLC (CDE), the entity through which tax credits are issued for eligible projects. The Land Acquisition Program Fund acquired approximately 2 separate parcels of property during 2012 and sold 1 parcel for approximately \$7,900. The CDE issued \$36,900,000 of tax credits and received fees of \$3,400,000 in conjunction therewith. This fee was then used to pay the costs of issuance and compliance monitoring, including fees paid to the Authority's general fund in accordance with the management agreement between the Authority and the CDE.

**CAPITAL ASSETS**

At the end of 2012 and 2011, the Authority had invested approximately \$113,000 and \$134,000, respectively, in capital assets consisting primarily of office furniture and equipment, customized land surveying software and land development costs.

**Authority's Capital Assets  
(net of accumulated depreciation)**

	<u>2012</u>	<u>2011</u>
Custom software	\$ 60,899	\$ 55,379
Office furniture & equipment	<u>52,598</u>	<u>78,331</u>
<b>Total</b>	<b><u>\$ 113,497</u></b>	<b><u>\$ 133,710</u></b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority has operated in a start-up phase for the past several years, and has been dependent upon a seed grant and tax credit administrative fees for much of its operating revenues. These types of revenues are contingent upon programmatic awards from other governmental entities with a finite term and relatively short duration. Going forward, the Authority will continue to evolve into its mission and will need to sustain operations from a more stable and long-term source of revenue. Programs and projects have sustained and will move forward through a variety of funding sources including tax credits, intergovernmental grants and others. The Authority's 2013 general fund revenue is budgeted to be significantly less than its operating expenses as an operating deficit of approximately 1.9 million is anticipated.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, customers, and grantors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Walter Monsour, 801 North Boulevard, Suite 200, Baton Rouge, LA 70802.

## INDEPENDENT AUDITORS' REPORT

To the Board Members  
East Baton Rouge Redevelopment Authority  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the East Baton Rouge Redevelopment Authority (the Authority) as of and for the year then ended, December 31, 2012, 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of East Baton Rouge Community Development Entity, LLC (the CDE), which represent 28 percent, 28 percent, and 99 percent, respectively, of the assets, the net position, and the revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CDE, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 Authority'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 opinion.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the East Baton Rouge Redevelopment Authority as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages I through VIII and 24 through 27, 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 the East Baton Rouge Redevelopment Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements..

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013 on our consideration of the East Baton Rouge Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Baton Rouge Redevelopment Authority's internal control over financial reporting and compliance.

*Postlethwaite + Netterville*

Baton Rouge, Louisiana  
June 7, 2013

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,966,236	\$ 188,835	\$ 4,155,071
Due from governments	644,579	12,601	657,180
Land acquisition cost (inventory)	-	2,831,783	2,831,783
Prepaid expenses	10,235	-	10,235
Capital assets, net of depreciation	113,497	-	113,497
Investment in limited liability company	-	5,935	5,935
Loans receivable (net of allowance)	1,289,837	-	1,289,837
Other assets	3,000	-	3,000
Total assets	6,027,384	3,039,154	9,066,538
<b><u>DEFERRED OUTFLOWS</u></b>			
	-	-	-
<b><u>LIABILITIES</u></b>			
Accrued expenses and accounts payable	572,379	915	573,294
Internal balances	896,505	(896,505)	-
Total liabilities	1,468,884	(895,590)	573,294
<b><u>DEFERRED INFLOWS</u></b>			
	-	-	-
<b><u>NET POSITION</u></b>			
Invested in capital assets	113,497	-	113,497
Restricted	1,779,001	1,103,876	2,882,877
Unrestricted	2,666,002	2,830,868	5,496,870
Total net position	\$ 4,558,500	\$ 3,934,744	\$ 8,493,244

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>FUNCTION/PROGRAMS</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Primary Government Business-type Activities</b>	<b>Total</b>
<b>Governmental activities:</b>						
Community development	\$ 3,999,360	\$ 2,706,402	\$ 6,177,011	\$ 4,884,053	\$ -	\$ 4,884,053
Total governmental activities	<u>3,999,360</u>	<u>2,706,402</u>	<u>6,177,011</u>	<u>4,884,053</u>	<u>-</u>	<u>4,884,053</u>
<b>Business-Type activities:</b>						
Real estate acquisition and Land banking mechanism	7,157	7,920	-	-	763	763
Community Development Entity, LLC	2,706,402	3,396,201	-	-	689,799	689,799
Total business-type activities	<u>2,713,559</u>	<u>3,404,121</u>	<u>-</u>	<u>-</u>	<u>690,562</u>	<u>690,562</u>
Total primary government	<u>\$ 6,712,919</u>	<u>\$ 6,110,523</u>	<u>\$ 6,177,011</u>	<u>4,884,053</u>	<u>690,562</u>	<u>5,574,615</u>
<b>General revenues:</b>						
Interest income				42,326	-	42,326
Other income				18,177	16,297	34,474
Transfers (to) from other funds				(2,468,399)	2,468,399	-
Total general revenues and transfers				<u>(2,407,896)</u>	<u>2,484,696</u>	<u>76,800</u>
Change in net position				2,476,157	3,175,258	5,651,415
Net Position - beginning of year as restated				<u>2,082,343</u>	<u>759,486</u>	<u>2,841,829</u>
Net Position - end of year				<u>\$ 4,558,500</u>	<u>\$ 3,934,744</u>	<u>\$ 8,493,244</u>

The accompanying notes are an integral part of this statement.



**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	<u>General Fund</u>	<u>NSP Fund</u>	<u>MFA Fund</u>	<u>Gustav/ Ike Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS</u></b>					
Assets:					
Cash and cash equivalents	\$ 3,479,811	\$ -	\$ 486,425	\$ -	\$ 3,966,236
Due from governments	-	70,312	3,614	570,653	644,579
Due from CDE	-	-	-	-	-
Due from other funds	455,768	-	-	-	455,768
Prepaid expenditures	10,235	-	-	-	10,235
Other assets	3,000	-	-	-	3,000
Total assets	<u>3,948,814</u>	<u>70,312</u>	<u>490,039</u>	<u>570,653</u>	<u>5,079,818</u>
Deferred Outflows:					
Total assets and deferred outflows	<u>3,948,814</u>	<u>70,312</u>	<u>490,039</u>	<u>570,653</u>	<u>5,079,818</u>
<b><u>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</u></b>					
Liabilities:					
Accrued expenses and accounts payable	70,324	1,216	875	499,964	572,379
Due to other funds	315,983	69,096	-	70,689	455,768
Unearned revenue	896,505	-	-	-	896,505
Total liabilities	<u>1,282,812</u>	<u>70,312</u>	<u>875</u>	<u>570,653</u>	<u>1,924,652</u>
Deferred Inflows:					
Total liabilities, deferred inflows, and fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:					
Nonspendable					
Prepaid expenditures	10,235	-	-	-	10,235
Restricted	-	-	489,164	-	489,164
Unassigned	2,655,767	-	-	-	2,655,767
Total Fund Balances	<u>2,666,002</u>	<u>-</u>	<u>489,164</u>	<u>-</u>	<u>3,155,166</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 3,948,814</u>	<u>\$ 70,312</u>	<u>\$ 490,039</u>	<u>\$ 570,653</u>	<u>\$ 5,079,818</u>

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Fund balance - all governmental funds		\$ 3,155,166
Amounts reported for governmental activities in the statement of net assets are different because:		
Loans receivable (net of allowance)		1,289,837
Capital assets used in governmental activities are not financial resources and, therefore, are not reported, in the governmental funds		
Governmental capital assets	189,091	
Less accumulated depreciation	<u>(75,594)</u>	<u>113,497</u>
Net position of governmental activities		<u>\$ 4,558,500</u>

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>	<u>NSP Fund</u>	<u>MFA Fund</u>	<u>Gustav/ Ike Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>					
Intergovernmental revenue	\$ 359,833	\$ 286,329	\$ 1,491,565	\$ 4,039,284	\$ 6,177,011
New markets tax credit fees:					
Asset management fees	106,402	-	-	-	106,402
Structuring fees	2,600,000	-	-	-	2,600,000
Interest income	-	-	42,326	-	42,326
Application fees	-	-	1,200	-	1,200
Other income	6,814	-	10,163	-	16,977
Total revenues	<u>3,073,049</u>	<u>286,329</u>	<u>1,545,254</u>	<u>4,039,284</u>	<u>8,943,916</u>
<b><u>EXPENDITURES</u></b>					
Current:					
Salaries and benefits	961,838	-	-	124,908	1,086,746
Rent and utilities	48,473	-	-	-	48,473
Travel and meetings	25,242	-	-	-	25,242
Supplies and other operating	58,173	-	-	2,037	60,210
Legal and professional	106,785	-	17,000	19,620	143,405
Small business façade improvement grants	-	-	60,000	-	60,000
Affordable rental program loans and grants	-	-	500,000	2,257,000	2,757,000
Land acquisition	16,430	-	-	-	16,430
CDE management	235,415	-	-	-	235,415
Capital outlay\equipment	36,063	-	-	-	36,063
Total expenditures	<u>1,488,419</u>	<u>-</u>	<u>577,000</u>	<u>2,403,565</u>	<u>4,468,984</u>
Excess of revenues over expenditures	<u>1,584,630</u>	<u>286,329</u>	<u>968,254</u>	<u>1,635,719</u>	<u>4,474,932</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	-	-
Transfers out	(65,400)	(286,329)	(480,951)	(1,635,719)	(2,468,399)
Total other financing sources and uses	<u>(65,400)</u>	<u>(286,329)</u>	<u>(480,951)</u>	<u>(1,635,719)</u>	<u>(2,468,399)</u>
Net change in fund balance	<u>1,519,230</u>	<u>-</u>	<u>487,303</u>	<u>-</u>	<u>2,006,533</u>
Fund balance, beginning of the year	<u>1,146,772</u>	<u>-</u>	<u>1,861</u>	<u>-</u>	<u>1,148,633</u>
Fund balance, end of year	<u>\$ 2,666,002</u>	<u>\$ -</u>	<u>\$ 489,164</u>	<u>\$ -</u>	<u>\$ 3,155,166</u>

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balance - all governmental funds		\$ 2,006,533
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report loans receivable as expenditures. However, in the statement of activities the cost of these assets is reported as an asset		2,757,000
Governmental funds do not report a provision for loan losses		(2,257,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capitalized expenditures	19,328	
Depreciation expense	<u>(36,199)</u>	(16,871)
The net effect of various transactions involving capital assets and loans receivable such as sales, disposals, or principal repayment is a decrease to net position		<u>(13,505)</u>
Change in net assets of governmental activities		<u>\$ 2,476,157</u>

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	Enterprise Funds		Total
	Land Acquisition Program	Community Development Entity, LLC	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 188,835	\$ 188,835
Accounts receivable	-	12,601	12,601
Land acquisition cost (inventory)	2,831,783	-	2,831,783
Prepaid expense	-	896,505	896,505
Total current assets	<u>2,831,783</u>	<u>1,097,941</u>	<u>3,929,724</u>
Non - Current Assets:			
Investment in limited liability company	-	5,935	5,935
Total non-current assets	<u>-</u>	<u>5,935</u>	<u>5,935</u>
Total assets	<u>2,831,783</u>	<u>1,103,876</u>	<u>3,935,659</u>
<b>DEFERRED OUTFLOWS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	915	-	915
Total liabilities	<u>915</u>	<u>-</u>	<u>915</u>
<b>DEFERRED INFLOWS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted	-	1,103,876	1,103,876
Unrestricted	2,830,868	-	2,830,868
Total Net Position	<u>\$ 2,830,868</u>	<u>\$ 1,103,876</u>	<u>\$ 3,934,744</u>

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise Funds		Total
	Land Acquisition Program	Community Development Entity, LLC	
<b>REVENUES</b>			
Transfers of property inventory	\$ 7,920	\$ -	\$ 7,920
Fee income - tax credit programs	-	3,349,350	3,349,350
Asset management fee income	-	45,962	45,962
Other income	16,297	-	16,297
Interest income	-	879	879
Total revenues	24,217	3,396,191	3,420,408
<b>EXPENSES</b>			
Cost of property inventory sold/transferred	-	-	-
Contract services	-	-	-
Professional & legal services	-	-	-
Asset management fee	-	106,402	106,402
Supplies and other operating	7,083	-	7,083
Travel and meetings	74	-	74
Structuring fees	-	2,600,000	2,600,000
Total expenses	7,157	2,706,402	2,713,559
Operating income	17,060	689,789	706,849
<b>Non - Operating Income</b>			
Income from investment in limited liabilities companies	-	10	10
Income/loss before contributions & transfers	17,060	689,799	706,859
<b>Transfers in</b>	2,468,399	-	2,468,399
Change in net position	2,485,459	689,799	3,175,258
Total Net Position - January 1 as restated	345,409	414,077	759,486
Total Net Position - December 31	\$ 2,830,868	\$ 1,103,876	\$ 3,934,744

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Land Acquisition Program</u>	<u>Community Development Entity, LLC</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Proceeds from transfers of property	\$ 7,920	\$ -	\$ 7,920
Tax credit program fees	-	3,399,221	3,399,221
Payments for contract services	-	-	-
Payments for professional and legal services	-	-	-
Acquisition of land	(2,486,374)	-	(2,486,374)
Other operating payments	(6,242)	-	(6,242)
Other operating income	16,297	-	16,297
Payments to suppliers	-	(3,900,000)	(3,900,000)
	<u>(2,468,399)</u>	<u>(500,779)</u>	<u>(2,969,178)</u>
Net cash used for operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment in limited liability companies	-	(3,690)	(3,690)
Distributions received from limited liability companies	-	31	31
	<u>-</u>	<u>(3,659)</u>	<u>(3,659)</u>
Net cash used for investing activities			
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	2,468,399	-	2,468,399
	<u>-</u>	<u>(504,438)</u>	<u>(504,438)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents, January 1	<u>-</u>	<u>693,273</u>	<u>693,273</u>
Cash and cash equivalents, December 31	<u>-</u>	<u>\$ 188,835</u>	<u>\$ 188,835</u>
<b>Reconciliation of operating income to net cash used for operating activities:</b>			
Operating income	\$ 17,060	\$ 689,789	\$ 706,849
Adjustments to reconcile operating income to net cash used for operating activities:			
Decrease in accounts receivable	-	3,030	3,030
(Increase) in inventory	(2,486,374)	-	(2,486,374)
(Increase) in accounts receivable and prepaid assets	-	(543,598)	(543,598)
Increase (decrease) in liabilities	915	(650,000)	(649,085)
	<u>915</u>	<u>(650,000)</u>	<u>(649,085)</u>
Net cash used for operating activities	<u>\$ (2,468,399)</u>	<u>\$ (500,779)</u>	<u>\$ (2,969,178)</u>

The accompanying notes are an integral part of this statement.

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

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

The Authority accomplishes these goals by seeking out funding through cooperative endeavors, including partnerships, joint ventures, and equity participation structures with nonprofit organizations and private enterprise. Programs of the Authority include Small Business Façade, Gap Financing and Land Banking. These programs are also funded from the issuance of new market tax credits issued through the East Baton Rouge Community Development Entity.

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

#### Financial Reporting Entity

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

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

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

#### Basis of Presentation, Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. GASB is the accepted standard setting body for establishing governmental accounting principles and reporting standards.



# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Basis of Presentation, Basis of Accounting (continued)

The Authority's basic financial statements consist of the government-wide statements on all of the primary government and its component units and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. Both the entity-wide financial statements and the proprietary financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Authority adopted Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Collectively, these statements changed the government-wide and proprietary fund statements of net assets from three elements to five, adding deferred outflows and deferred inflows and renamed it to the statement of net position. Certain items previously reported as assets and liabilities such as loan organization fees and non-exchange revenue for future periods are reclassified to deferred outflows or inflows, or are no longer carried on the statement of net position.

#### Fund Financial Statements

##### Governmental Funds:

The governmental fund financial statements (*the Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance*) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to fund current operations. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due.

The governmental fund financial statements provide information about the Authority's governmental funds. The emphasis of fund financial statements is on the major governmental funds. As of December 31, 2012 the Authority had four governmental funds as follows:

- General Fund – accounts for the general operations of the Authority that are funded through unrestricted funding sources. The General Fund is always a major fund.
- NSP Fund – accounts for the Neighborhood Stabilization grant provided through the City-Parish Government of East Baton Rouge.
- MFA Fund – accounts for the grant funding obtained from the East Baton Rouge Parish Mortgage Finance Authority.
- Gustav/Ike Fund – accounts for the receipt and expenditure of a federal grant fund from the State Office of Community Development passed through the City-Parish Government of East Baton Rouge.

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Fund Financial Statements (continued)

#### Proprietary Funds:

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

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

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

Under the CDE's Allocation Agreement with CDFI Fund, Redevelopment Authority Fund I, LLC (Fund I), Redevelopment Authority Fund II, LLC (Fund II), Redevelopment Authority Fund III, LLC (Fund III), Redevelopment Authority Fund IV, LLC (Fund IV), and Redevelopment Authority Fund V, LLC (Fund V) have become approved "Subsidiary Allocatees" of the CDE. The CDE is the managing member of the Subsidiary Allocatees. An Allocation Agreement places restrictions on the CDE's operations, including, but not limited to, a specific geographical area of the low-income communities the CDE must serve. The CDE has been approved to serve low-income communities in East Baton Rouge Parish, Louisiana. As of December 31, 2012, the CDE has allocated \$60,000,000 of its seventh round NMTC authority to Fund I, Fund II, Fund III, Fund IV, and Fund V.

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

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Government-Wide Financial Statements

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

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation or those amounts with third-party payers.

#### Capital Assets

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

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

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

#### Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Inventory

Inventory is recorded at cost and represents cost incurred in the acquisition and maintenance of blighted or adjudicated properties. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

#### Prepaid Items and Other Assets

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

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Loans Receivable

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

#### Budgets

General Budget Practices. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

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

Encumbrances. Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

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

#### Net Position in Government-Wide Financial Statements

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Net Position in Government-Wide Financial Statements (continued)

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Fund Balance – Fund Financial Statements

Governmental fund equity is termed as fund balance. Fund balance is categorized to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following categories describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Authority's board of directors, which is the Authority's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The Authority did not have any committed fund balance as of year-end.

- **Assigned:** This classification includes spendable amounts that are reported in governmental funds that are neither restricted nor committed and that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Authority's board of directors, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes.

The Authority did not have any assigned fund balance at year-end.

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### Fund Balance – Fund Financial Statements (continued)

When fund balance resources are available for a specific purpose in multiple classifications, the Authority would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

#### Operating and Non-Operating Revenues and Expenses

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

#### Income Taxes

The CDE has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income, tax returns, if applicable. The CDE's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the CDE is not required to take any tax positions in order to qualify as a pass-through entity. The CDE is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes. For income tax purposes, the CDE reports on a calendar year basis.

#### Revenue Recognition

Fee income associated with the assignment of NMTC to its Subsidiary Allocatee is recognized when the Subsidiary Allocatee makes a qualified low-income community investment (QLICI) in a QALICB. Fees associated with the issuance and administration of NMTC's are recognized when earned.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**2. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2012, are as follows:

Governmental activities:

	<u>Customized Computer Software</u>	<u>Furniture &amp; Equipment</u>	<u>Smiley Heights Development</u>	<u>Total</u>
Cost of Capital Assets, at December 31, 2011	\$ 55,379	\$ 130,837	\$ 130,900	\$ 317,116
Restatement	-	-	(130,900)	(130,900)
at December 31, 2011, restated	\$ 55,379	\$ 130,837	\$ -	\$ 186,216
Additions	5,520	13,808	-	19,328
Deletions	-	(16,453)	-	(16,453)
Cost of Capital Assets, at December 31, 2012	<u>60,899</u>	<u>128,192</u>	<u>-</u>	<u>189,091</u>
Accumulated depreciation, at December 31, 2011	-	(52,506)	-	(52,506)
Restatement	-	-	-	-
at December 31, 2011, restated	-	(52,506)	-	(52,506)
Additions	-	(36,199)	-	(36,199)
Deletions	-	13,111	-	13,111
Accumulated depreciation, December 31, 2012	<u>-</u>	<u>(75,594)</u>	<u>-</u>	<u>(75,594)</u>
Capital assets, net of accumulated depreciation at December 31, 2012	<u>\$ 60,899</u>	<u>\$ 52,598</u>	<u>\$ -</u>	<u>\$ 113,497</u>

For the year ended December 31, 2012, depreciation expense was \$36,199 which is reported in the Statement of Activities under the Governmental Activities within the Community Development function.

# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### **3. Cash and Cash Equivalents**

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

The Authority had no exposure to custodial credit risk at December 31, 2012.

### **4. Commitment**

The Authority entered into a lease agreement effective August 7, 2009 for 2,764 square feet of office space in downtown Baton Rouge, LA. The term of the original lease was thirty months. The Authority renewed this lease effective February 29, 2012 for 3,302 square feet of office space for a term of thirty-six months (March 1, 2012 – February 28, 2015). The Authority will pay \$3,690 per month.

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

2013	44,280
2014	44,280
2015	7,380
	<u>\$ 95,940</u>

### **5. Cooperative Endeavor Agreement (CEA) for Seed Funding**

The East Baton Rouge Redevelopment Authority entered into a CEA with the East Baton Rouge Mortgage Finance Authority (EBRMFA) effective January 22, 2009. Through the agreement, EBRMFA awarded the authority \$1,000,000 per year for three consecutive years to be used for a broad range of activities, including general operations. This award expired December 31, 2011.

### **6. Future Funding**

The Authority has secured funding for future activities from the following sources in the amounts indicated:

City-Parish of Baton Rouge/LRA		
-Disaster Recovery Grant	\$ 6,500,000	expires December 31, 2013
City-Parish of Baton Rouge		
-Neighborhood Stabilization Program	\$ 500,000	expires January 31, 2019
East Baton Rouge Mortgage Finance Authority	\$ 4,500,000	expires December 31, 2014

These funding sources are generally restricted to programmatic activities.

The Cooperative Endeavor Agreement discussed in note 5 was the Authority's primary revenue source for funding operations since inception in 2009. The agreement expired December 31, 2011.

### **7. Compensation of the Board of Commissioners**

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



# EAST BATON ROUGE REDEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### 8. Related Party Transactions

#### Asset Management Fee Income

In accordance with the operating agreements of Fund I, Fund II, Fund III, Fund IV, and Fund V, the CDE earns an annual asset management fees in the amount of \$45,962 for services provided to the Funds. For the year ended December 31, 2012, such fees earned were \$45,962. As of December 31, 2012, \$12,601 remains receivable and is included in accounts receivable.

#### Fee Income

During 2012, the CDE earned and was paid Sponsor Fees in the amount of \$2,214,000 in connection with the CDE's coordination of the investments in Fund III, Fund IV, and Fund V.

During 2012, in accordance with the operating agreements of Fund III, Fund IV, and Fund V, the CDE earned and was paid placement fees in the amount of \$1,135,350 in connection with the investor member of Fund III, Fund IV, and Fund V's investment in the respective Funds.

#### Asset Management and Structuring Fee

The Authority is entitled to receive a fee equal to 15% of tax credits allocation that it awarded for eligible projects per the terms of its contract with the CDE. The fee is intended to compensate the Authority for structuring the project and for ongoing compliance monitoring. This fee is paid to the Authority from the CDE and is accounted for as interfund services provided and used. As such, the fee is reported as revenue to the Authority's general fund and as an expense to the CDE to the extent the fee is earned. The fees consist of both asset management fees and structuring fees and are considered earned over a period of seven years; the compliance period required by the Internal Revenue Code (IRC). Asset Management fees collected but unearned are reported as unearned revenue in the general fund, while fees paid for future compliance services are reported as prepaid expenses by the CDE. Structuring fees are considered to be payments for services rendered and as recognized upon issuance of the credits. During the period ended December 31, 2012, asset management and structuring fees recognized as revenue by the Authority from the CDE were \$106,402 and \$2,600,000, respectively.

### 9. Contingency

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

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**10. Restatement of Net Position**

Net position of the Authority was restated for December 31, 2011 for the following:

- The schedule of capital assets included items that were part of the Land-Banking Inventory.

The net effect to the Statement of Net Position for the prior period is as follows:

**Governmental Activities:**

Net Position, December 31, 2011, as previously reported	\$2,213,243
Adjustment for capital assets	<u>(130,900)</u>
Net Position, December 31, 2011, as restated	<u>\$2,082,343</u>

**Business-Type Activities**

Net Position, December 31, 2011, as previously reported	\$628,586
Adjustment for inventory	<u>130,900</u>
Net Position, December 31, 2011, as restated	<u>\$759,486</u>

**11. Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 7, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Intergovernmental revenue	\$ -	\$ 109,000	\$ 359,833	\$ 250,833
New markets tax credit fees/ Management Fees	1,474,000	2,724,500	2,706,402	(18,098)
Application fees	-	-	-	-
Other income	-	23,980	6,814	(17,166)
Total revenues	<u>1,474,000</u>	<u>2,857,480</u>	<u>3,073,049</u>	<u>215,569</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Salaries and benefits	839,506	961,629	961,838	\$ (209)
Rent and utilities	29,027	47,360	48,473	(1,113)
Travel and meetings	20,000	28,688	25,242	3,446
Supplies and other operating expenses	76,100	72,078	58,173	13,905
Legal and professional	80,000	130,153	106,785	23,368
Land acquisition	-	-	16,430	(16,430)
CDE management fees	300,000	250,890	235,415	15,475
Capital outlay - equipment and software costs	5,000	28,999	36,063	(7,064)
Total expenditures	<u>1,349,633</u>	<u>1,519,797</u>	<u>1,488,419</u>	<u>31,378</u>
Excess of revenues over expenditures	124,367	1,337,683	1,584,630	184,191
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds	28,169	57,473	-	(57,473)
Transfers to other funds	-	-	(65,400)	(65,400)
	<u>28,169</u>	<u>57,473</u>	<u>(65,400)</u>	<u>(122,873)</u>
Net change in fund balance	152,536	1,395,156	1,519,230	61,318
Fund balance:				
Beginning of year	1,453,831	1,146,772	1,146,772	-
End of year	<u>\$ 1,606,367</u>	<u>\$ 2,541,928</u>	<u>\$ 2,666,002</u>	<u>\$ 61,318</u>

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**NEIGHBORHOOD STABILIZATION PROGRAM FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Grant revenue	\$ 235,650	\$ 432,179	\$ 286,329	\$ (145,850)
Total revenues	<u>235,650</u>	<u>432,179</u>	<u>286,329</u>	<u>(145,850)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Supplies and other operating expenses	-	-	-	-
Legal and professional	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	235,650	432,179	286,329	(145,850)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds	<u>(235,650)</u>	<u>(432,179)</u>	<u>(286,329)</u>	<u>145,850</u>
Net change in fund balance	-	-	-	-
Fund balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MORTGAGE FINANCE AUTHORITY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Intergovernmental revenue	\$ 1,690,100	\$ 1,551,565	\$ 1,491,565	\$ (60,000)
Interest income	-	-	42,326	42,326
Application fees	-	-	1,200	1,200
Other income	-	-	10,163	10,163
Total revenues	<u>1,690,100</u>	<u>1,551,565</u>	<u>1,545,254</u>	<u>(6,311)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Legal and professional	-	-	17,000	(17,000)
Affordable rental program loans	1,000,000	500,000	500,000	-
Small Business Façade Grants	150,000	120,000	60,000	60,000
Total expenditures	<u>1,150,000</u>	<u>620,000</u>	<u>577,000</u>	<u>43,000</u>
Excess of revenues over expenditures	540,100	931,565	968,254	36,689
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds	-	(431,565)	(480,951)	(49,386)
Net change in fund balance	540,100	500,000	487,303	(12,697)
Fund balance:				
Beginning of year	-	-	1,861	1,861
End of year	<u>\$ 540,100</u>	<u>\$ 500,000</u>	<u>\$ 489,164</u>	<u>\$ (10,836)</u>

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GUSTAV/KE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Intergovernmental revenue	\$ 3,280,770	\$ 4,057,634	\$ 4,039,284	\$ (18,350)
Other income	-	800	-	(800)
Total revenues	<u>3,280,770</u>	<u>4,058,434</u>	<u>4,039,284</u>	<u>(19,150)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Salaries and benefits	134,247	50,285	124,908	(74,623)
Supplies and other operating expenses	41,416	-	2,037	(2,037)
Legal and professional	182,830	29,038	19,620	9,418
Affordable Rental Program Loans	1,000,000	2,257,000	2,257,000	-
Land acquisition	-	-	-	-
Clearance	-	-	-	-
Small business façade improvement grants	150,000	-	-	-
Total expenditures	<u>1,508,493</u>	<u>2,336,323</u>	<u>2,403,565</u>	<u>(67,242)</u>
Excess of revenues over expenditures	1,772,277	1,722,111	1,635,719	(86,392)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers to other funds	<u>(1,662,530)</u>	<u>(1,721,311)</u>	<u>(1,635,719)</u>	<u>85,592</u>
Net change in fund balance	109,747	800	-	(800)
Fund balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ 109,747</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ (800)</u>

**SUPPLEMENTARY FINANCIAL INFORMATION  
REQUIRED BY OMB CIRCULAR A-133**



**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**  
**BATON ROUGE, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Year Ended</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development Community Development Block Grant Program (CDBG)</u></b>				
<b>Passed through the Louisiana Governor's Office of Community Development and Through the East Baton Rouge City-Parish Government:</b>				
Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii	14.228	12/31/12	6,500,000	4,198,184
<b>Passed through the City-Parish Government of East Baton Rouge Parish</b>				
Title III, Division B (HERA) - Neighborhood Stabilization	14.218	12/31/12	603,000	286,329
Total U.S. Department of Housing and Urban Development			<u>7,103,000</u>	<u>4,484,513</u>
Total federal award amounts/expenditures			<u>\$ 7,103,000</u>	<u>\$ 4,484,513</u>

See notes to Schedule of Expenditures of Federal Awards.

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**(1) BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the East Baton Rouge Redevelopment Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

**(2) NON-CASH ASSISTANCE**

No federal awards were expended in the form of non-cash assistance during the year ended December 31, 2012.

**(3) RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS**

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

Intergovernmental revenue in the Statement of Revenues, Expenditures and Changes in Fund Balance for the year ended December 31, 2012:	
NSP Fund	286,329
Gustav/Ike Fund	<u>4,039,284</u>
	4,325,613
Balance of Federal Loan provided from Gustav/Ike Fund at December 31, 2011	158,900
Total Federal Award Expenditures per schedule	<u>\$ 4,484,513</u>

**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 Members  
East Baton Rouge Redevelopment 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 East Baton Rouge Redevelopment Authority (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the East Baton Rouge Redevelopment 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Poitteharite + Netterville*

Baton Rouge, Louisiana  
June 7, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board Members  
East Baton Rouge Redevelopment Authority  
Baton Rouge, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the East Baton Rouge Redevelopment Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the East Baton Rouge Redevelopment Authority's major federal programs for the year ended December 31, 2012. The East Baton Rouge Redevelopment Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for on the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the East Baton Rouge Redevelopment Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, the East Baton Rouge Redevelopment Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of the East Baton Rouge Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Baton Rouge Redevelopment Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Baton Rouge Redevelopment Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 7, 2013

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION I-SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between types A and B programs: \$300,000

Audit qualified as low-risk auditee:  Yes  No

**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION II-FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.



**EAST BATON ROUGE REDEVELOPMENT AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

2011 - 1

Louisiana Local Government Budget Act

Criteria: LA Revised Statute 39:1310 requires governments to amend general and special revenue fund budgets when actual expenditures plus expected expenditures exceed budgeted amounts by 5% or more or when actual revenues plus expected revenues will fall short of budgeted amounts by 5% or more.

Condition: The Authority's General Fund actual expenditures, in total, exceeded budgeted amounts by 22%

Effects: The Authority is in violation of LA Revised Statute 39:1310.

Cause: During 2011, the Authority began to account for its operations through multiple funds. Expenditures were reclassified among funds during the audit process and resulted in expenditures exceeding that which were budgeted.

Recommendation: We recommend that all funds adhere to the adopted budget and monitor compliance. When it becomes apparent that expenditures exceed the budget by 5% or more, or when revenues fall short by 5% or more, the budget should be brought before the Board for amendment.

View of Responsible Official and Planned Corrective Action: While procedures for monitoring operating results in comparison to the budget were applied during 2011, we acknowledge the need to enhance those procedures to ensure full compliance with LA R.S. 39:1310. To that end, we will self-audit our revenues, funding sources, and expenditures throughout the year and at year end, and amend the budget as needed, to ensure compliance.

Current Status: Corrected.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**MANAGEMENT LETTER**

None issued.