

EAST BATON ROUGE REDEVELOPMENT AUTHORITY**FINANCIAL REPORT****DECEMBER 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/14/10



A Professional Accounting Corporation
www.pncpa.com

TABLE OF CONTENTS

	Page
<u>INDEPENDENT AUDITORS' REPORTS</u>	
Independent Auditors' Report	I
<u>REQUIRED SUPPLEMENTARY INFORMATION – PART I</u>	
Management's Discussion and Analysis	2-7
<u>BASIC FINANCIAL STATEMENTS</u>	
Governmental Fund Balance Sheet and Statement of Net Assets	8
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities	9
Notes to Financial Statements	10-15
<u>REQUIRED SUPPLEMENTARY INFORMATION – PART II</u>	
Budgetary Comparison Schedule	16
<u>OTHER REPORTS REQUIRED BY <i>GOVERNMENTAL AUDITING STANDARDS</i></u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	17-18
Schedule of Findings and Questioned Costs	19-20

INDEPENDENT AUDITORS' REPORT

To the Board Members

We have audited the accompanying financial statements of the governmental activities and the major fund of the East Baton Rouge Redevelopment Authority (The Authority) as of and for the year then ended, December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of East Baton Rouge Redevelopment Authority's management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the East Baton Rouge Redevelopment Authority as of December 31, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2010, on our consideration of the East Baton Rouge Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison schedules on pages 2 through 7, and page 16, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Postlethwaite + Netterville

March 18, 2010

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

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, 2009. Ordinarily, this section would include prior year amounts for comparative analysis. However, 2009 was the first year of operations.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets at year-end were \$332,041.
- The first year of operations resulted in an operating surplus, or increase in net assets of \$332,041.
- The Authority's primary funding source for 2009 was a grant from the East Baton Rouge Mortgage Finance Authority in the amount of \$1,000,000.

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 governmental funds statements tell how the general government operated for the year.

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, 2009

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

	<u>Government-wide Statements</u>	<u>Governmental Fund Financial Statements</u>
Scope	Entire Authority government	The funds of the Authority
Required financial statements	<ul style="list-style-type: none">• Statement of net assets• Statement of activities	<ul style="list-style-type: none">• Balance Sheet• Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, 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
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

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

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 assets 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 assets and how they have changed. Net assets—the difference between the Authority's assets and liabilities—is one way to measure the Authority's financial health, or position.

- Over time, increases or decreases in the Authority's net assets are 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 factors effecting sales tax collections.

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 and by bond covenants.

The Authority currently has one fund – its general fund, which accounts for all of its start-up funding and costs.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net assets. The Authority's net assets at December 31, 2009 are set forth below:

Condensed Statement of Net Assets

	2009
Current and other assets	<u>\$ 302,816</u>
Capital assets	<u>81,370</u>
Total assets	<u>384,186</u>
Current liabilities	52,145
Long term Liabilities	<u>-</u>
Total liabilities	<u>52,145</u>
Net assets	
Invested in capital assets, net of related debt	81,370
Unrestricted	<u>250,671</u>
Total net assets	<u>\$ 332,041</u>

Net assets of the Authority's governmental activities are a result of revenues exceeding expenses in 2009, its first year of operations. The unrestricted portion of the net assets represents amounts available to meet future obligations of the Authority.

Changes in net assets. The Authority's revenues totaled approximately \$1,144,000 for 2009 and were comprised mostly of a grant from the East Baton Rouge Mortgage Finance Authority. The Authority's expenses totaled approximately \$812,000 and were comprised primarily of salaries and benefits.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

Condensed Statement of Activities

Revenues	<u>2009</u>
Program revenues	
Grants & contributions	\$ 1,021,800
In-kind and on-behalf donations	121,599
Interest	<u>428</u>
Total revenues	<u>1,143,827</u>
Expenses	
Payroll & Benefits	612,584
Supplies & other operating	23,678
Travel & Meetings	15,284
Legal & Professional	136,807
Depreciation	5,645
Other	<u>17,788</u>
Total expenses	<u>811,786</u>
Change in net assets	<u>\$ 332,041</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As the Authority completed the year, its general fund reported a fund balance of \$250,671, approximately 28% of its 2009 expenditures.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

CAPITAL ASSETS

At the end of 2009, the Authority had invested approximately \$81,000 in capital assets consisting primarily of office furniture and equipment and an initial payment on customized land surveying software.

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

	<u>2009</u>
Custom Software	\$ 21,800
Office Furniture & Equipment	<u>59,570</u>
Total	<u>\$ 81,370</u>

ECONOMIC FACTORS

During its start-up phase the Authority is dependent on intergovernmental grants for its revenues. The Authority has secured future grants as set forth in Note 6 to the financial statements.

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.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	General Fund Balance Sheet	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 235,206	\$ -	\$ 235,206
Due from supporters and other governments	59,742	-	59,742
Prepaid expenses	4,868	-	4,868
Capital assets, net of depreciation	-	81,370 1	81,370
Other assets	3,000	-	3,000
TOTAL ASSETS	<u>302,816</u>	<u>81,370</u>	<u>384,186</u>
<u>LIABILITIES</u>			
Accounts payable	41,396	-	41,396
Accrued expenses	10,749	-	10,749
TOTAL LIABILITIES	<u>52,145</u>	<u>-</u>	<u>52,145</u>
<u>FUND BALANCES/NET ASSETS</u>			
Fund balance	<u>250,671</u>	<u>(250,671) 2</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 302,816</u>		
Net assets invested in capital assets		81,370	81,370
Net assets - unrestricted		<u>250,671</u>	<u>250,671</u>
TOTAL NET ASSETS		<u>\$ 332,041</u>	<u>\$ 332,041</u>

1 - Adjusts the balance sheet to full accrual by recording equipment purchases as capital assets, net of accumulated depreciation.

2 - Reclassifies the fund balance for inclusion in net assets.

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Intergovernmental revenue	\$ 1,021,800	\$ -	\$ 1,021,800
In-kind donations	121,599		121,599
Interest income	428	-	428
Total revenues	<u>1,143,827</u>	<u>-</u>	<u>1,143,827</u>
EXPENDITURES/EXPENSES			
Current:			
Salaries and benefits	612,584	-	612,584
Rent and utilities	12,407	-	12,407
Programs and events	2,242	-	2,242
Travel and meetings	15,284	-	15,284
Supplies and other operating expenses	23,678	-	23,678
Legal and professional	136,807	-	136,807
Depreciation	-	5,645 1	5,645
Capital outlay/equipment expense	90,154	(87,015) 1	3,139
Total expenditures/expenses	<u>893,156</u>	<u>(81,370)</u>	<u>811,786</u>
Excess of revenues over expenditures/ changes in net assets	<u>250,671</u>	<u>81,370</u>	<u>332,041</u>
Fund balance/net assets (deficit)			
Beginning of year	-	-	-
End of year	<u>\$ 250,671</u>	<u>\$ 81,370</u>	<u>\$ 332,041</u>

1 - adjusts expenditures to full accrual expenses by recording depreciation expense and capitalizing equipment purchases.

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 by the 2007 Louisiana Legislature. It is governed by a five-member Board of Directors, 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 cooperative endeavors, including partnerships, joint ventures, and equity participation structures with nonprofit organizations and private enterprise. Programs of the Authority include Affordable Rental Rehabilitation, Small Business Façade, Gap Financing and Land Banking.

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 units on a consistent basis between periods.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14 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 the Authority's board of directors also serves as the CDE's governing board. As a *component unit* of the Authority, the CDE's financial statements are required to be discretely presented in the financial statements of the Authority. However, the CDE had no financial activity for the year and therefore no presentation is made within the accompanying financial statements.

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 due to the City-Parish appointing a majority of its Board of Directors. No presentation is required of the EBRMFA within these financial statements.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

The accompanying financial statements are presented in two separate columns, representing the governmental fund financial statements and the government-wide financial statements. Each financial statement includes a presentation of financial position and of operations, each on a different basis of accounting. The adjustments column represents the conversion of the fund financial statements (modified accrual) to the government-wide financial statements (full accrual) and includes adjustments for the following:

- Capitalization of equipment, office furniture and software and depreciation over its useful life

Fund Financial Statement Column

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 fund financial statements provide information about the Authority's governmental funds. The emphasis of fund financial statements is on the major governmental fund. As of December 31, 2009, the Authority had only one fund, the general fund, which is reported as a major fund. In future periods, the Authority may employ multiple funds, some of which will be considered major and presented separately, while others may be considered non-major and reported on a combined basis.

Government-Wide Financial Statement Column

The accompanying government-wide statements (*the Statement of Net Assets 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.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

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

The government-wide financial statements utilize FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 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)

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. The Board approves budgets at the function level and management can transfer amounts between line items within a function.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

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.

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, 2009, are as follows:

Governmental activities:

	<u>Customized Computer Software</u>	<u>Furniture & Equipment</u>	<u>Total</u>
Cost of Capital Assets December 31, 2008	\$ -	\$ -	\$ -
Additions	21,800	65,215	87,015
Costs of Capital Assets December 31, 2009	<u>21,800</u>	<u>65,215</u>	<u>87,015</u>
Accumulated depreciation December 31, 2008	-	-	-
Additions	-	(5,645)	(5,645)
Accumulated depreciation, December 31, 2009	<u>-</u>	<u>(5,645)</u>	<u>(5,645)</u>
Capital assets, net of accumulated depreciation at December 31, 2009	<u>\$ 21,800</u>	<u>\$ 59,570</u>	<u>\$ 81,370</u>

For the year ended December 31, 2009, depreciation expense was \$5,645.

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. All deposit must be secured against custodial credit risk through either FDIC insurance or pledge of bank securities.

Governmental Accounting Standards require disclosure of custodial credit risk. The Authority held deposits at J.P Morgan Chase bank during 2009 which were 100% insured through the TLG Program with the FDIC. The TLG Program provides for a temporary full guarantee by the FDIC for funds held at FDIC-insured depository institutions in noninterest bearing transactions accounts above the existing deposit insurance limit. Therefore, no exposure to custodial credit risk was present at December 31, 2009.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 lease is thirty months (September 15, 2009 – March 15, 2012). The authority pays \$3,000 per month with a \$3,000 security deposit paid upon execution in addition to first month's rent.

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

2010	\$ 36,000
2011	36,000
2012	<u>6,000</u>
	<u>\$ 78,000</u>

5. Cooperative Endeavor Agreement (CEA)

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 for three consecutive years: 2009, 2010, and 2011 for a total of \$3,000,000. This award can be used for a broad range of activities. The continuance of award funds from year-to-year is subject to favorable review of the Authority's operations conducted by the EBRMFA on an annual basis.

6. Future Funding

In addition to the CEA described in footnote 5, 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	\$ 5,000,000	expires December 31, 2012
City-Parish of Baton Rouge		
-Neighborhood Stabilization Program	\$ 500,000	expires January 31, 2019
City-Parish of Baton Rouge		
-Targeted Neighborhoods	\$ 500,000	expires October 31, 2010

In addition to the grant awards above, the East Baton Rouge Community Development Entity, LLC, a component unit of the Authority (see note 1) was awarded \$60 million in New Markets Tax Credits allocation from the United States Government. The credits will be sold to investors with the proceeds supporting a wide array of redevelopment projects.

7. In-Kind and On-Behalf Support

The Baton Rouge Area Foundation provided non-cash support to the RDA in 2009 consisting of \$119,792 in payment of legal fees and approximately \$1,800 worth of donated office space.

8. Compensation of the Board of Commissioners

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

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>			
Grant revenue	\$ 1,750,000	\$ 1,021,800	\$ (728,200)
Sales of property	250,000	-	(250,000)
In-Kind donations	-	121,599	121,599
Interest income	-	428	428
Total revenues	<u>2,000,000</u>	<u>1,143,827</u>	<u>(856,173)</u>
<u>EXPENDITURES</u>			
Current:			
Salaries and benefits	741,000	612,584	128,416
Rent and utilities	30,000	12,407	17,593
Programs and events	30,000	2,242	27,758
Travel and meetings	10,000	15,284	(5,284)
Supplies and other operating expenses	2,500	23,678	(21,178)
Legal and professional	250,000	136,807	113,193
Predevelopment	250,000	-	250,000
Capital outlay - land acquisition	500,000	-	500,000
Capital outlay - equipment and software costs	40,000	90,154	(50,154)
	<u>1,853,500</u>	<u>893,156</u>	<u>960,344</u>
Excess of revenues over expenditures	<u>146,500</u>	<u>250,671</u>	<u>104,171</u>
Fund balance:			
Beginning of year	-	-	-
End of year	<u>\$ 146,500</u>	<u>\$ 250,671</u>	<u>\$ 104,171</u>

**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

We have audited the financial statements of the East Baton Rouge Redevelopment Authority (the Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 designed functions, to prevent or detect 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported as item 2009-1 in the accompanying schedule of findings and questioned costs.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 18, 2010.

This report is intended for the information of the Authority, management, federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Poatlethwaite + Netterville

Baton Rouge, Louisiana

March 18, 2010

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the East Baton Rouge Redevelopment Authority.
2. There were no material weaknesses in internal control or significant deficiencies reported during the audit of the financial statements.
3. There was one instance of noncompliance reported during the audit of the financial statements.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2009 - 1

Louisiana Local Government Budget Act

Criteria:

LA Revised Statute 39:1305 requires budgets for local governments be made available to the public and for a notice of availability to the public be published in the local journal at least 10 days prior to the public hearing for the budget. After a hearing allowing for public comment, the budget should be adopted in open session prior to the beginning of the entity's fiscal year.

LA Revised Statute 39:1305 also requires a budget message to accompany the proposed and adopted budget.

LA Revised Statute 39:1305 also requires that budgets be amended when actual revenues and expenditures fall short of or exceed, respectively, budgeted amounts by more than 5%.

Condition:

Although the budget was adopted in a Board meeting that was open to the public, the Authority did not notify the public of the availability of the budget in the local journal and did not hold a public hearing. Additionally, the budget did not include a budget message. Finally, actual revenues fell short of the budgeted amount by more than 5%.

Effects:

The Authority was non-compliant with the statute.

Cause:

The uniqueness of the Authority with respect to its enabling legislation and the start-up nature of the Authority's operations resulted in misunderstanding of the laws that applied to the Authority.

Recommendation:

We recommend compliance with the statute in future years.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Management's Response: The 2009 budget was prepared by a third party organization with no "public organization" experience that was assisting the Authority Board before it had funding or staff. The income and expense adopted in the 2009 budget were best estimates as of December 2008.

The 2010 budget is based on projections from actual income and expenses in 2009. Future expenditures should not exceed budgeted amounts by more than 5%, but if they do, budgets will be amended accordingly.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

REPORT TO MANAGEMENT

DECEMBER 31, 2009



EAST BATON ROUGE REDEVELOPMENT AUTHORITY

REPORT TO MANAGEMENT

DECEMBER 31, 2009

March 18, 2010

Members of the Board and Management
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the East Baton Rouge Redevelopment Authority (the RDA) for the year ended December 31, 2009, we considered the RDA's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for improving financial reporting and refining policies and procedures. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated March 18, 2010 on the financial statements of the RDA.

A. Accounting system and structure

Condition(s):

The Authority began operations in 2009 during which its accounting processes and systems did not require a significant level of sophistication. However, as the Authority begins to fulfill its mission through federal and state grant programs and acquisition of property, those accounting needs will become more sophisticated and will include utilization of fund accounting, categorization of expenditures by function, compliance monitoring (with state and federal regulations), property inventory tracking, and application of unique governmental accounting principles.

Recommendation:

We recommend that the Authority consider:

- Hiring a degreed accountant that is familiar with governmental accounting standards.
- Obtaining new accounting software (or at least an additional feature to the current software) that encompasses a wider array of accounting features, including the ability to utilize fund accounting for various grants and programs, and the functional categorization of expenditures.

Management's Response:

- *The Authority is in the process of contracting with a degreed accountant to act as Chief Financial Officer for the Authority.*
- *Authority will have CFO and auditor confer on which accounting software should be employed that will encompass a wider array of accounting features as recommended.*

B. Disbursement Approvals

Condition:

RDA policy requires the Vice President to approve all purchases and the payment of invoices, and dual check signatures for purchases greater than \$20,000. These procedures are an appropriate and vital internal control to help ensure that costs to the entity are reasonable, necessary, and are incurred for legitimate business purposes. In the performance of our audit procedures, we noted that evidence of this approval was often not documented through signature. We believe this important internal control should be documented on the invoice/check as appropriate.

Recommendation:

The approval of purchases and invoices should be documented in accordance with RDA policy.

Management's Response:

- *Authority has initiated a procedure to require dual signatures on approvals for all purchases and invoices greater than \$20,000, as recommended.*

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Authority's staff for their patience and cooperation with us during the performance of the audit.

Sincerely,

Postlethwaite + Netterville

