

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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EXHIBIT A - 17

NOTE 1 - Summary of Significant Accounting Policies

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, is both a municipality (home rule charter) and a parish government (political subdivision of the State of Louisiana). The City of Baton Rouge is located wholly within the boundaries of the parish. The parish (approximately 472 square miles) is located in the southeastern portion of the State bordered by the Mississippi River on the west, approximately 80 miles northwest of New Orleans. The City-Parish is governed by a Mayor-President and 12 single-district Metropolitan Council members.

a. Financial Reporting Entity

The Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge serves as the financial reporting entity for both the municipality (City of Baton Rouge) and for the Parish (East Baton Rouge Parish). The financial reporting entity consists of: (1) the primary government (all funds under the auspices of the Mayor-President and the Metropolitan Council), (2) organizations for which the primary government is financially accountable and a financial benefit/burden relationship exists; and, (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, establishes criteria for determining which component units should be considered part of the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit
2. Financial accountability
 - a. The primary government appoints a voting majority of the potential component unit's governing body (and the primary government is able to impose its will on the potential component unit (or
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.
3. Financial benefit/burden relationship between the City-Parish and the potential component unit.
4. Misleading to exclude: Paragraph 111 of Section 2100 covers other potential component units for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Based on the previous criteria, City-Parish management has included the following component units in the financial reporting entity:

Blended Component Units

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, including two separate trusts, CPERS a cost-sharing multiple-employer pension plan and CPERS-Police Guarantee Trust (CPERS-PGT) a single-employer pension plan, is reported as a fiduciary fund in the Basic Financial Statements of the City of Baton Rouge, Parish of East Baton Rouge. The retirement system, a separate legal entity, was created in accordance with The Plan of Government in 1949. This retirement system exists for the sole benefit of current and former (primary government, component units, and related organizations) City-Parish employees who are members of the system. The system is governed by a seven-member board of trustees. Four members of the seven-member board are elected by the employees who participate in the system. The system is funded by the investment of contributions received from the City-Parish primary government, some of the government's component units, and related organizations, and member employees who are obligated to make the contributions to the system based upon actuarial valuations. The City-Parish does not serve as trustee for the retirement system. The fiscal year for the retirement system is the calendar year. The separately issued audit report on the retirement system, including both trusts, can be obtained at the following address: Jeffrey R. Yates, Retirement Administrator; P.O. Box 1471, Baton Rouge, LA 70821-1471.

Discrete Component Units

The Louisiana State Constitution mandates that parish governments fund a significant portion of the operational budgets of certain legally separate state constitutionally defined parish officials. These budgets are adopted as part of the City-Parish

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(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units (Continued)

budget process. These judicial elected officials are fiscally dependent on the parish or state government for the issuance of debt and are included in this report as part of the financial benefit/burden relationship with the Parish. These officials have additional self statutorily defined sources of funds that are used for operating and/or capital purposes. These agencies have been discretely presented in the City-Parish Comprehensive Annual Financial Report (CAFR):

District Attorney of the Nineteenth Judicial District (for the period ended December 31, 2016)
Nineteenth Judicial District Court (for the period ended June 30, 2016)
Nineteenth Judicial District Court Building Commission (for the period ended June 30, 2016)
E.B.R. Parish Clerk of Court (for the period ended June 30, 2016)
E.B.R. Parish Family Court (for the period ended December 31, 2016)
E.B.R. Parish Juvenile Court (for the period ended December 31, 2016)

The East Baton Rouge Redevelopment Authority was created by the 2007 Louisiana Legislature. It is governed by a five member board. A level of control is maintained by the City-Parish through appointment of a majority of the Authority's Board and through fiscal benefit/burden and imposition of will by the Metropolitan Council. The financial statements of the Authority for December 31, 2016, are included in the discrete component unit columns of the basic financial statements.

Capital Area Transit System (CATS) - CATS was originally created by the City-Parish Metropolitan Council as a corporation to provide bus transportation services within the parish. In 2004, the Louisiana State Legislature enacted House Bill 1682 Act 581 to recognize CATS as a political subdivision which functions under the provisions of an operating agreement with the City of Baton Rouge and Parish of East Baton Rouge. Any property acquired by the system is for the use and benefit of the City-Parish. All CATS board members are appointed directly by the Metropolitan Council. Metropolitan Council approval is required for all transportation fare changes. CATS's financial statements for the period ended December 31, 2016, are discretely presented in the basic financial statements.

Cyntreniks Group/King Hotel Special Taxing District, Bluebonnet Convention Hotel Taxing District, EBRATS Building Special Taxing District and Old LNB Building Redevelopment District were created pursuant to Louisiana Revised Statute 33:9038, which allowed the Metropolitan Council to establish a tax incremental financing (TIF) districts and appoint a three member board for each district. The Cyntreniks Group/King Hotel Special Taxing District is authorized to use *the proceeds of the two percent (municipal) general sales tax* and a three percent additional "district" tax within a small section of downtown Baton Rouge for the improvement of the King Hotel. The Bluebonnet Convention Hotel Taxing District is authorized to use *the proceeds of the two percent (municipal) general sales tax* and a two to three percent additional "district" tax within a small section located in the southeastern part of East Baton Rouge Parish. The EBRATS Building Special Taxing District is authorized to use *the proceeds of the two percent (municipal) general sales tax* and a two percent additional "district" tax within a small section of downtown Baton Rouge for the renovation, restoration and development of a hotel. The Old LNB Building Redevelopment District is authorized to use *the proceeds of the two percent (municipal) general sales tax* and a two to three percent additional "district" tax within a small section of downtown Baton Rouge for the renovation, restoration and development of a hotel. These districts are presented as discrete component units in the basic financial statements and do not prepare separately issued financial statements.

Separately issued financial statements of the following City-Parish discretely presented component units can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397 (website www.la.gov/Reports_data) or at the following administrative offices:

District Attorney Hillar Moore, III
Administrative Office
222 St. Louis Street, Fifth Floor
Baton Rouge, LA 70802

Nineteenth Judicial District Court
Ann McCrory, Judicial Administrator
300 North Boulevard
Baton Rouge, LA 70801

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(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

a. Financial Reporting Entity (Continued)

Discrete Component Units (Continued)

Nineteenth Judicial District Court Building Commission Ann McCrory, Judicial Administrator 300 North Boulevard, Suite 3606 Baton Rouge, LA 70801	East Baton Rouge Parish Family Court Ronnie Bullion, Judicial Administrator 300 North Boulevard Baton Rouge, LA 70801
East Baton Rouge Parish Juvenile Court Donna Carter, Judicial Administrator 8333 Veterans Memorial Boulevard Baton Rouge, LA 70807	East Baton Rouge Parish Clerk of Court Doug Welborn 222 St. Louis Street, First Floor Baton Rouge, LA 70802
East Baton Rouge Redevelopment Authority Gwen Hamilton, Interim President and CEO 801 North Boulevard, Suite 200 Baton Rouge, LA 70802	Capital Area Transit System Conner Burns, Chief Financial Officer 2250 Florida Boulevard Baton Rouge, LA 70802-3125

Related Organizations

City-Parish officials are also responsible for appointing members of the boards of other organizations. City-Parish's accountability does not extend beyond making the appointments. The following agencies are related organizations to City-Parish government. Each organization's financial statements can be obtained at their respective administrative offices listed as follows:

Gas Utility Service District Phyllis Sims, Office Manager 10633 Zachary-Deerford Road Zachary, LA 70791-9304	Baton Rouge Recreation and Park Commission Michael Hutchinson, Finance Director 6201 Florida Boulevard Baton Rouge, LA 70806
East Baton Rouge Housing Authority Richard Murray, Executive Director 4731 North Boulevard Baton Rouge, LA 70806	

The following three agencies are non-profit corporations established pursuant to State Statutes to finance debt for various public purposes within East Baton Rouge Parish. The Metropolitan Council appoints the board members of each respective agency. Each agency is fiscally independent from the City-Parish, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City-Parish is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Hospital Service District No. 1 Mark Anderson, Chief Financial Officer Lane Memorial Hospital 6300 Main Street Zachary, LA 70791	Capital Area Finance Authority Cheri Ausberry, Chairman 601 St. Ferdinand Street Baton Rouge, LA 70802
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Industrial Development Board
(No Financial Transactions)

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NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

The City-Parish's **basic financial statements** consist of the government-wide statements on all of the non-fiduciary activities of the primary government and its component units and the fund financial statements (individual major fund and combined nonmajor fund). 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 fund 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*.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all non-fiduciary activities of the primary government and the total for its component units. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are payments between the enterprise funds to other various functions of government for charges such as sewer fees and contributions between the primary government and its component units which are reported as external transactions. The government-wide presentation focuses primarily on the sustainability of the City-Parish as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The primary government is reported separately from the legally separate component units as detailed in section (a) of this note.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this statement; however, certain indirect costs have been directly allocated as administrative fees to grants and special fund programs. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes externally dedicated resources such as a restricted property tax.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

FUND FINANCIAL STATEMENTS:

Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. Nonmajor funds (by category) or fund type are summarized into a single column in the basic financial statements.

The daily accounts and operations of the City-Parish are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund, both major and nonmajor, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped into generic fund types and three broad fund categories as follows:

NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund -- The General Fund is the government's primary operating fund of the consolidated City and Parish and is considered to be a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures (other than major capital projects or debt service) for specified purposes. The two special revenue funds reported as major funds in the fund financial statements are as follows:

The Library Board of Control Fund accounts for the special property tax levy required to fund the operation, maintenance and expansion of the East Baton Rouge Parish Library System.

The Grants Fund accounts for the receipts and disbursements of Federal and State grants.

Debt Service Funds -- Debt Service Funds are used to account for the accumulation of resources that are committed, restricted, or assigned to the payment of, general long-term debt principal, interest and related costs on long-term obligations of governmental funds. The government has no debt service fund major funds.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds) and is reported as a major fund.

Proprietary Funds:

Enterprise Funds -- Enterprise funds 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 three enterprise funds reported as major funds in the fund financial statements are as follows:

The Greater Baton Rouge Airport District Fund accounts for the operation of the Baton Rouge Metropolitan Airport, a commercial and general aviation facility principally financed by air carrier fees and airport related services.

The Comprehensive Sewerage System Fund accounts for the provision of sewer services and sewer treatment services to the residents of the entire parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing and collection of a user fee, and administration of sewerage facilities including long-term capital improvements.

The Solid Waste Collection and Disposal Fund accounts for solid waste collection and disposal services and operation and improvement of the landfill.

Internal Service Funds -- Two internal service funds are used by the government to account for: (1) financing the replacement of motorized equipment, and (2) to maintain and supply fuel for motorized vehicles and heavy equipment to various departments or agencies of the City-Parish, or to other governments, on a cost-reimbursement basis. The internal service fund totals are presented as part of the proprietary fund financial statements. Since the principal users

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NOTE 1 - Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Proprietary Funds (Continued):

Internal Service Funds (Continued):

of the internal service funds are the City-Parish governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity.

Fiduciary Funds:

Trust Funds -- The City-Parish Employees' Retirement System (a blended component unit) is used to account for the accumulation of contributions for (CPERS) Pension Trust, a defined-benefit cost-sharing multiple-employer pension plan to provide retirement benefits to qualified employees and CPERS-PGT a single-employer plan. The pension trust fund is presented in the basic financial statements section. Since by definition these assets are being held for the benefit of employees and cannot be used to address activities or obligations of this government, these funds are not incorporated into the government-wide statements.

Agency Funds -- Agency funds contain resources held by the government in a temporary, purely custodial capacity for others and do not involve measurement of results of operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Basis of Accounting and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

FUND FINANCIAL STATEMENTS:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The City-Parish definition of available means expected to be received within sixty days of the end of the fiscal year for all revenues except grants or entitlements on federal or state assistance programs. The availability period for these grant programs is twelve months.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

c. Basis of Accounting and Measurement Focus (Continued)

FUND FINANCIAL STATEMENTS (Continued):

Nonexchange transactions, in which the City-Parish receives value without directly giving value in return, includes sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are recognized as revenues in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales tax and gross receipts business tax revenues are recognized when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, subject to the availability criteria. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, arbitrage payable, net other post-employment benefit obligation and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds and pension trust funds are accounted for on an economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

d. Budgetary Data

BUDGET POLICIES AND BUDGETARY ACCOUNTING:

The Plan of Government for the City-Parish outlines procedures for adopting a budget for the General, Special Revenue, and Debt Service Funds of the primary government:

The Finance Department compiles for the Mayor-President estimates of revenues and requests for appropriations of the annual budget. No later than November 5, the Mayor-President's budget is submitted to the Metropolitan Council for possible revision and adoption. The Council conducts public hearings on the budget, which must be adopted by December 15, to become effective January 1. In no event shall the total appropriations exceed total anticipated revenues taking into account the estimated surplus or deficit at the end of the current fiscal year.

Budgets for the Capital Projects Fund do not necessarily follow the time schedule for other funds, since capital projects may be started and completed at any time during the year. However, the capital project budget must be submitted to the Council for adequate public hearing and adoption on a project-length basis.

Annual operating budgets are adopted for the following governmental funds: General, Special Revenue, and Debt Service. The General Fund, Library Board of Control and Grants Fund annual budgets are presented in the basic financial statements. Nonmajor governmental fund budget presentations appear in the Combining and Individual Fund Statements and Schedules. The original budget column on all budget presentations include the adjustments necessary to bring forward appropriations for both unspent projects of a continuing nature and legal encumbrances at the end of the last fiscal year.

Budgets of the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for the following deviations: (1) On the budget basis, encumbrances are considered expendable from current appropriations and are reported as expenditures in order to reserve appropriations. (2) Housing and

NOTE 1 - Summary of Significant Accounting Policies (Continued)

d. Budgetary Data (Continued)

BUDGET POLICIES AND BUDGETARY ACCOUNTING: (Continued):

Urban Development (HUD) loans to program recipients are reported as expenditures on the budget basis to facilitate reporting in accordance with federal regulations. The loans are recorded as "loans receivable" on the GAAP basis with a corresponding restriction of fund balance.

In accordance with The Plan of Government, appropriations, in addition to those contained in any current expenditure budget, shall be made only on the recommendation of the Mayor-President, and only if the Director of Finance certifies that sufficient funds are available to meet such appropriations. Appropriations at year-end normally lapse, except for those projects of a continuing nature which remain open until the projects are completed or abandoned and are shown on the Balance Sheet as Fund Balance-Assigned to Approved Continuing Projects in the General Fund. Such appropriations for continuing projects carried forward from 2015 to 2016 totaled \$17,073,616 for the general fund, and \$1,909,942 (shown as part of restricted fund balance) in the Grants Fund. These amounts are included in the original budget column for 2016. The level of budget control is at the fund, department or project level, and expenditures/encumbrances may not exceed appropriations. Should additional appropriations be required, interdivisional transfers may be authorized by the Mayor-President. Interdepartmental transfers may be made at the request of the Mayor-President with approval of the Council. Additional appropriations from fund balance or increases in estimated revenues must be approved by the Council. In accordance with The Plan of Government, if the Mayor-President shall at any time ascertain that there will not be for the parish, the city, or the districts, sufficient funds to meet total appropriations, it shall be his duty to revise appropriations.

Formal budgetary integration is used for management control in the accounting records during the year for the governmental fund types. The Capital Projects Fund project appropriations are initiated by project budgets rather than annual budgets, and accountability is controlled on the project-life basis.

ENCUMBRANCES:

Encumbrances representing purchase orders, contracts or other commitments are recorded in governmental fund-type budgetary funds to reserve portions of applicable appropriations. Encumbrances are part of the budgetary process and are included in actual expenditures when a comparison with budget is necessary. Encumbrances at year-end are not considered expenditures in the financial statements presented on the GAAP basis.

Encumbrances are reported in the governmental fund-type balance sheet in the restricted, committed, or assigned fund balance classifications. Significant encumbrances are included in the "construction work-in-progress" section of the capital asset note disclosure.

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash and cash equivalents for the primary government includes the payroll cash account, cash for insurance, cash for juror and witness fees, cash on hand, petty cash, cash for East Baton Rouge Sewerage Commission, cash for all sinking funds and debt service reserve funds on all City and Parish Public Improvement Sales Tax Revenue Bonds, and each individual fund's share of the consolidated cash account.

A single consolidated bank account has been established in a local bank into which monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of this consolidation is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings according to its average cash and investments balance, prorated between funds. Cash is transferred from those funds with available cash resources to cover any negative cash balances in other funds at year-end. In addition, an imprest bank account is used for disbursements of payrolls, and separate accounts have been established for certain restricted funds as required by the bond indentures for related bond issues.

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NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

The investment policies of the City-Parish are governed by State Statutes and bond covenants. Additional details on authorized investments of City-Parish primary government and component unit funds are disclosed in Note 3(b).

Cash, Cash Equivalents and Investments for the Employees' Retirement System are not included in the City-Parish's consolidated bank account. This retirement system is a blended component unit of the City-Parish primary government and operates a separate bank account and controls its own disbursements and investments.

For purposes of the Statement of Cash Flows, cash equivalents for each fund include demand deposit account balances, repurchase agreements, certificates of deposit and U.S. government securities with maturities of three months or less from date purchased.

Investments are reported in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Short-term and money market investments, consisting primarily of U.S. Treasury or Agency obligations with a maturity of one year or less at time of purchase are reported at amortized cost. The Louisiana Asset Management Pool (LAMP) investment, which is an external investment pool administered by a non-profit corporation organized under State of Louisiana law, is reported at net asset value.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Unrealized gains and losses on investments recorded at fair value are included in investment income.

RESTRICTED ASSETS:

Certain bond proceeds and debt service sinking funds of the Comprehensive Sewerage System and the Greater Baton Rouge Airport District Enterprise Funds are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Position since the use of these funds is limited by applicable bond resolutions. In addition, the Greater Baton Rouge Airport District Fund shows a net asset restriction for unappropriated passenger facility charges.

INVENTORIES AND PREPAID ITEMS:

Inventories are stated at cost using the average price method. In the primary government's governmental fund types, inventoried items are recorded as expenditures when consumed, rather than when purchased.

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.

INTERFUND RECEIVABLES AND PAYABLES:

Short-term cash borrowing between funds bears interest at the prevailing consolidated cash rate of return and is considered temporary in nature. These amounts are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Long-term advances between funds are reported as advances to/from other funds.

ACCOUNTS RECEIVABLE:

Accounts receivable are reported net of an allowance for uncollectibles in business-type activities. Major accounts receivable are recorded for: (1) sewer user fees in the Comprehensive Sewerage System Enterprise Fund; (2) airline landing fees, rentals, and miscellaneous charges for services in the Greater Baton Rouge Airport Authority Enterprise Fund; and (3) waste

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EXHIBIT A - 17
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

ACCOUNTS RECEIVABLE (Continued):

disposal fees at the landfill recorded in the Solid Waste Collection and Disposal Enterprise Fund. Uncollectible revenues are normally estimated at approximately ½ percent for the sewer user and solid waste collection fees with uncollectibles written off on a monthly basis. An adjustment was made at the end of 2016, for estimated rebates and uncollectible user fees due to the flood of 2016. At December 31, 2016, an uncollectible allowance of 3.2 percent has been recorded for the Greater Baton Rouge Airport District. Uncollectible amounts for solid waste disposal fees are historically immaterial and no allowance is recorded.

Accounts receivable reported at the entity-wide level include receivables for third-party billings of emergency transport fees accounted for in the Emergency Medical Services non-major special revenue fund. This entity-wide receivable is accrued net of a varying uncollectible percentage, based upon past trends of collection, by number of months outstanding.

CAPITAL ASSETS:

Capital assets, which include land and land improvements, buildings, equipment, noise mitigation costs, and infrastructure assets (streets, roads, bridges, canals and sewer and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalization thresholds are defined by the City-Parish in the official accounting policies and procedures as follows:

- Movable capital assets with a cost of \$5,000 or more per unit and a useful life of at least two years.
- Land, land improvements and intangible assets purchased with a minimal value of \$50,000.
- Buildings and building improvements with a value of \$100,000 that extend the useful life of a building.
- Individual purchased infrastructure improvements with a value of \$100,000.
- Donated infrastructure systems with a value of \$500,000.

All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at substantial completion of construction projects. Transfer of capital assets between governmental and business-type activities are recorded at the carrying value at the time of transfer. For capitalization purposes, projects are considered substantially complete when 80% of the project has been constructed. At this point the project costs are moved out of construction work in progress and capitalized.

Depreciation on all capital assets, excluding land and improvements, is calculated on the straight-line method over the following estimated useful lives:

<u>Type of Capital Assets</u>	<u>Number of Years</u>
Buildings and Building Improvements	25-40
Runways and Improvements	25
Land Improvements-Structure	10
Furniture	10
Machinery and Equipment	5-10
Automobiles	3
Infrastructure	25-35

All infrastructure assets purchased by the primary government since 1960 are recorded as capital assets and depreciated accordingly. All donated infrastructure accepted into the City-Parish's maintenance program since 1980 has been capitalized and depreciated in accordance with the above capitalization policy.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

CAPITAL ASSETS (Continued):

The City-Parish capitalizes interest cost during the construction phase of major capital projects of proprietary funds in accordance with *GASB 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, paragraphs 5-22*. The objectives of capitalizing interest are: (a) to obtain a measure of acquisition cost that more closely reflects the enterprise's total investment in the asset, and (b) to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of the period benefitted. The amount of interest cost capitalized on major capital projects acquired/constructed with proceeds of restricted tax-exempt debt includes all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing from the date of the borrowing until the assets are ready for their intended use. Interest cost capitalized for the period ending December 31, 2016, is disclosed by project in Note 6, Changes in Capital Assets.

LONG-TERM DEBT:

In the government-wide Statement of Net Position and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs, excluding any prepaid bond insurance, are reported as expense in the year of debt issuance. Bonded debt premiums, discounts, and gains (losses) on refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred outflows/inflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial reporting period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

Excess revenue contracts, loans, and notes are obligations of the general government and payment of these debts are normally provided by transfers from the General Fund to a debt service fund. However, if the debt is intended to be repaid by an enterprise fund it is recorded as a proprietary long-term debt.

Sales tax revenue bonds are secured by sales tax revenues. For those issues not associated with enterprise fund operations, payment of the debt is provided by sales tax revenue recognized in the appropriate debt service fund. Sales tax revenue bond issues associated with enterprise funds are accounted for in the relevant enterprise fund.

Derivative guidelines were adopted by the Metropolitan Council in 2006, that allows the government to enter into interest rate swap agreements to manage interest rate risk and reduce debt service costs on debt. The derivative guidelines policy defines the parameters under which the program operates. The City-Parish records derivative instruments at fair value in accordance with GASB Statement No. 72, on the entity-wide financial statements and on the fund level for business-type activities to provide the reader disclosure concerning the government's exposure to risk and how these risks are managed.

COMPENSATED ABSENCES:

All City-Parish primary government classified and non-classified regular employees earn vacation leave in varying amounts according to the employee's number of years of continuous service up to a maximum of five year's accrual. All City-Parish primary government classified and non-classified regular employees hired before April 4, 2015, earn sick leave in varying amounts according to the employee's number of years of continuous service and accumulate sick leave without time limitations. Employees hired on or after April 4, 2015, earn sick leave in varying amounts according to the employee's work week in hours, up to a maximum of 480 hours. Sick leave is payable only upon death or retirement.

Payments for accrued sick and vacation leave are limited to a combined 120 days under all circumstances except death. Upon death, the maximum accrued leave payable is 120 days sick leave and the equivalent of two years of accrued vacation.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

COMPENSATED ABSENCES (Continued):

Vacation and sick leave may also be converted into time worked for retirement purposes. Per Metropolitan Council Ordinance 85011 effective January 1, 1988, the Employees' Retirement System assumed partial liability for separation benefits (accrued sick and vacation leave) for employees who retire or who die. At December 31, 2016, the City-Parish retains approximately 22.9% of the total liability for accumulated sick and vacation leave per calculations performed by an outside actuary consultant.

City-Parish employees of certain job classifications may accrue compensatory time in lieu of overtime payment up to 30 days for regular employees and 60 days for public safety employees. Compensatory leave is paid by the City-Parish upon termination, resignation, retirement or death, up to the maximum accrual amounts. City-Parish retains 100% of the compensatory leave liability as of December 31, 2016.

GASB Statement No. 16, *Accounting for Compensated Absences*, requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through paid time off or cash payments conditioned on the employees' termination or retirement. The City-Parish has recorded the following liabilities as of December 31, 2016, for certain salary-related benefits associated with the payment of compensated absences:

1. The actuarially determined percentage of accrued vacation for each employee valued at the employees' current rate of pay.
2. Using the "termination pay method," the value of the City-Parish's liability for sick leave as of December 31, 2016, is limited to 1/3 of the accumulated sick leave accrued at year-end for DROP participants. No sick leave is recorded in the financial statements for active employees since the amount applicable as defined in Section C60.105 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* is immaterial.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.
4. Applicable percentages of retirement contribution, social security, Medicare and other postemployment benefits have been added to the above accrued leave.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. A current liability is recorded for the value of one year's accrual of leave in the proprietary funds fund statements. In accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2016, in the governmental fund financial statements.

Details of the compensated absences liability for the City-Parish discrete component units can be found in the separately issued audit reports of each component unit.

MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines recommended by Section L10 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*.

The Solid Waste Collection and Disposal Enterprise Fund recognizes (based on MSWLF use) that portion of the estimated total current cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. A complete explanation of the liability and its calculation is referenced in Note 17.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

FUND BALANCE POLICY FOR GOVERNMENTAL FUND TYPES:

The City-Parish reports governmental fund equity in accordance with Metropolitan Council 2016 Budget Ordinance 16143, adopted December 8, 2015 and 2017 Budget Ordinance 16406 adopted December 13, 2016, which set the following fund balance policy for all governmental fund types of the consolidated government:

- a. Governmental fund balance classification will consist of “nonspendable,” “restricted,” “committed,” “assigned,” and “unassigned”.
- b. When an expenditure is incurred for purposes for which restricted, committed, assigned and unassigned fund balance are available, as a general rule, the City-Parish will apply expenditures first to restricted, committed, and assigned fund balances-in that order, with the remainder to unassigned fund balance.
- c. Restricted fund balance will be reported for all funds that reflect constraints on spending due to legal restrictions stipulated by external parties, enabling legislation of the state or federal governments, and grant requirements placed on funds to be used for specific purposes.
- d. Committed fund balance will be reported for the amount of fund balance that reflects the constraints that the City-Parish has imposed upon itself by formal action (adoption of an ordinance) of the Metropolitan Council. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Committed fund balance will include amounts set aside in the Insurance Reserve Account and the Budget Stabilization Account as included in the government’s financial policies of the “Understanding the Budget” section of the annual adopted operating budget.
- e. All encumbered contracts or outstanding obligations made by the City-Parish at year-end that are not part of restricted or committed funds will be shown as “assigned” fund balance.
- f. Assigned fund balance includes amounts that are constrained by the City-Parish’s intent to be used for specific purposes, but are neither restricted nor committed. By adoption of an ordinance, the Metropolitan Council authorizes the director of Finance or Deputy Director of Finance to assign fund balance for other specific purposes at year-end.

A Budget Stabilization Account was originally authorized in the General Fund operating budget of 1999. The Metropolitan Council officially committed to maintain the budget stabilization account in an amount equal to at least five percent and not greater than ten percent of the following year’s general fund appropriation in the 2016 Annual Operating Budget adopted by Ordinance 16143 dated December 8, 2015. Per ordinance, *the budget stabilization account shall be calculated annually by the Finance Department and included in the Comprehensive Annual Financial Report as committed fund balance.*

The stabilization account may be used with Metropolitan Council approval to balance the current year general fund budget or immediate subsequent year budget when projected current year tax revenue falls below the budgeted growth rate by more than one percent or in the event the government faces an unanticipated extraordinary expenditure increase that cannot be rectified in a single budget year. The stabilization account shall not be used for revenue shortfalls or expenditure increases deemed permanent, but rather allow the government time to transition without undue disruption to governmental services. When the budget stabilization account falls below the minimum five percent level, the Mayor-President shall present the Metropolitan Council a plan to restore the minimum level with a goal of 36 months after the year of use.

The Insurance Reserve Account was established as a general fund reservation (or designation) by the City-Parish in 1972. Since that date the managerial fund has been used to pay for risk management activities of the general government. Metropolitan Council Ordinance 16143 of December 8, 2015, confirmed the policy and use of the insurance reserve account as follows: *The City-Parish will maintain a managerial fund entitled “Insurance Reserve” as part of committed General Fund-Fund Balance for the purpose of minimizing the financial impact of potential costs that cannot be covered by the City-parish’s risk management program annual budget. The managerial fund will be increased by any balance remaining in the General Fund Risk Management operating budget at each year-end. The City-Parish shall seek restitution from companies and individuals when negligence results in the unexpected use of funding in accordance with applicable laws.*

The committed insurance reserve account may be used as a source for any risk purposes, including costs associated with purchased insurance or self-insurance programs. The account can also be used for major costs associated with disaster and other events which may not be reimbursable from insurance or federal or state government sources.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

FUND BALANCE POLICY FOR GOVERNMENTAL FUND TYPES (Continued):

Details of restricted, committed, and assigned fund balances at year-end are presented in Note 14(b).

NET POSITION:

Net position represents the difference between assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The net investment in capital assets component of net position 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.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those restricted assets. The restricted component of net position is used when there are limitations imposed on their use of an asset by external parties such as creditors, grantors, laws or regulations of other governments.

The *unrestricted* component of Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of Net Position.

When both restricted and unrestricted resources are available for use for a particular project or purpose, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Details of the restricted component of net position at year-end are presented in Note 14(a).

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. *Deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. *Deferred inflows* of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The primary government's deferred outflows of resources on the statement of net position are a result of deferrals concerning bonded debt and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred amount on refunding of debt is reported in the deferred inflows or deferred outflow sections of the statement of net position.

Changes in fair values of hedging derivative assets and liabilities are reported as deferred inflows or deferred outflows. Note 10(a)11 presents detailed information concerning the City-Parish primary government's derivative instruments.

Note 7 presents detailed information concerning the amounts related to pensions, reported in the deferred inflows and deferred outflows sections of the statement of net position.

The governmental funds report unavailable revenues from two sources: property taxes and Federal and State financial assistance. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

ACCOUNTING ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 17
(Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Equity (Continued)

ACCOUNTING ESTIMATES (Continued):

reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

f. Changes in Accounting Principle

The City-Parish government adopted GASB Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 77, *Tax Abatement Disclosures* during 2016. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Please refer to Note 3, Cash, Cash Equivalents and Investments and Note 10(a)11 Derivative Instruments. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. Please refer to Note 19, Tax Abatement Agreements.

NOTE 2 - Stewardship, Compliance, and Accountability

a. Budget Variances (Non-GAAP Budgetary Basis)

Excess of expenditures and encumbrances over appropriations in individual major funds or departments within the funds occurred as follows:

	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund:			
Risk management			
Over expenditure in employee health claims	\$6,249,277	\$9,075,889	\$(2,826,612)

Health insurance claims paid during 2016 on the City-Parish self-insurance program for employees and retirees exceeded premiums, causing the General Fund risk management budget to be over expended.

b. Budgetary - GAAP Reporting Reconciliation

Annual budgets are adopted for the major and the non-major governmental funds. Budgetary comparisons presented in this report are on the budgetary basis.

As discussed in Note 1(d) certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments reconciling the excess (deficit) of revenues and other financing sources over (under) expenditures and other uses at year end on the GAAP basis to the budgetary basis are as follows:

	<u>General Fund</u>	<u>Library Board of Control</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>
Net change in fund balances (Budget Basis)	\$(8,258,531)	\$(4,839,883)	\$(20,369,076)	\$2,599,307
Adjustments:				
To adjust for encumbrances	1,890,972	1,604,922	21,394,170	5,479,612
To adjust for U.S. Housing and Urban Development loans receivable	--	--	25,443	--
Net change in fund balances (GAAP Basis)	<u>\$(6,367,559)</u>	<u>\$(3,234,961)</u>	<u>\$ 1,050,537</u>	<u>\$8,078,919</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 17
(Continued)

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

b. Budgetary - GAAP Reporting Reconciliation (Continued)

The budgetary basis accounts for encumbrances as expenditures in the year in which the funds are encumbered. However, on the GAAP basis, expenditures for encumbered funds are recognized when the obligation is incurred. Therefore, a timing difference exists between budgetary practices and GAAP.

NOTE 3 - Cash, Cash Equivalents, and Investments

The City-Parish maintains a consolidated cash management pool that is available for use by all funds except the Employees' Retirement System Pension Trust Fund. Each fund type's portion of the consolidated cash pool is displayed on the Statement of Net Position as "Cash and cash equivalents" or "Investments." The City-Parish primary government and all discretely presented component units adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, during 2004, and Statement No. 72, *Fair Value Measurement and Application*, during 2016.

a. Deposits - Primary Government

Deposits (including demand deposit accounts and certificates of deposits) at December 31, 2016, for the City-Parish primary government are summarized as follows:

1. Primary government excluding Employees' Retirement System Pension Trust Funds:

<u>Carrying Amount</u>	<u>Bank Balance</u>
\$247,257,954	\$254,882,962

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Position as "Investments" (\$59,032,476). The remaining carrying amount of \$188,225,478 is classified as "Cash and cash equivalents."

The City-Parish's bank balance of deposits at December 31, 2016, is not exposed to any custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the City-Parish's deposits may not be returned.

The carrying amount of deposits does not include a cash on hand balance of \$4,568,357 which is not on deposit with a financial institution. Cash on hand includes petty cash and cash received but not yet deposited at year-end.

2. Employees' Retirement System Pension Trust Funds:

At December 31, 2016, the carrying amount of the Retirement System's deposits was \$13,039,231 and the bank balance was \$13,385,130. The Retirement System's deposits at December 31, 2016, are not exposed to any custodial credit risk.

b. Cash Equivalents and Investments - Primary Government

The City-Parish is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in the following:

1. United States Treasury Bonds
2. United States Treasury Notes
3. United States Treasury Bills
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

- 7. Fully collateralized interest-bearing checking accounts.
- 8. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
- 9. Any other investment allowed by state statute for local governments.
- 10. Louisiana Asset Management Pool (LAMP).

Proceeds from the issuance of sales tax revenue bonds for the City of Baton Rouge and Parish of East Baton Rouge are invested according to guidelines set forth in the bond resolutions. Authorized investments from the proceeds of the issuance of the City's 2007A, 2008A-2, 2008B (Taxable), 2010A (GO Zone), 2010B, 2016A-1, 2016A-2 (Taxable) and 2016A-3 Public Improvement Sales Tax Revenue Bonds are government securities, certificates of deposit collateralized by government securities, and bonds issued by any state or political subdivision, provided that the bonds are rated in one of Moody's Investors Service or Standard and Poor's Corporation's two highest rating categories. All of the qualified investments must have maturities of five years or less at the time of investment.

Proceeds from the issuance of the East Baton Rouge Sewerage Commission's 2010B (BABs), 2011A (LIBOR Index), 2014B and 2013B (Taxable), 2014A (Taxable) and the Road and Street Improvement 2008A and 2009A Sales Tax Revenue Bonds are authorized to be invested in direct obligations of the United States of America, time certificates of deposit secured by direct obligations of the United States of America, and obligations issued or guaranteed by the federal government.

City-Parish investments for the primary government at December 31, 2016, are itemized as follows:

1. Primary Government excluding Employees' Retirement System Pension Trust Funds:

	<u>Total Value</u>
<u>Investments Measured at Amortized Cost</u>	
U.S. Government Obligations	\$204,760,298
U.S. Agency Obligations	286,117,252
 <u>Investments Measured at Net Asset Value</u>	
Louisiana Asset Management Pool (LAMP)	<u>126,319,926</u>
Total	<u>\$617,197,476</u>

Investments with a maturity of less than 90 days (\$126,319,926) are classified on the Statement of Net Position as "Cash and cash equivalents," \$489,489,004 is classified on the Statement of Net Position as "Investments." The remaining amount of \$1,388,546 is included in "Receivables - net" on the Statement of Net Position. In accordance with Section 150, paragraph 123 of the GASB *Codification of Governmental Accounting and Financial Reporting* Standards, investments in U.S. Treasury or Agency obligations that have a remaining maturity at time of purchase of one year or less, are stated at amortized cost which is not materially different from fair value. All U.S. Government and Agency Obligations held at December 31, 2016, had a remaining maturity at time of purchase of one year or less and are therefore reported at amortized cost.

As a means of limiting its exposure to fair value losses arising from interest rates, the City-Parish's investment policy limits investments to securities with less than one year from the date of purchase unless the investment is matched to a specific cash flow. The City-Parish may collateralize its repurchase agreements using longer dated investments not to exceed 10 years to maturity. Reserve funds may be invested in securities with maturities exceeding one year if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City-Parish has a written policy for custodial credit risk. The City-Parish's investment policy requires the application of the prudent-person rule. The policy states, *all investments made shall be with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for*

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

1. Primary Government excluding Employees' Retirement System Pension Trust Funds (Continued):

speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. However, under all circumstances, the overriding concern shall be safety of the principal amounts invested. The City-Parish's investment policy limits investments to those discussed earlier in this section. The City-Parish's investments in U.S. Agency Obligations were rated AAA by Fitch Ratings, Aaa/Negative by Moody's Investors Service and AA+/Negative by Standard & Poor's. The City-Parish's investment policy requires that investments be diversified by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City-Parish total investment portfolio will be invested in a single security type or with a single financial institution. U. S. Agency Obligations are invested in the Federal National Mortgage Association, Federal Home Loan Bank and Federal Farm Credit Bank which are 27.41%, 15.77% and 3.23% of the City-Parish total investment, respectively. LAMP has a Standard & Poor's Rating of AAAM.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City-Parish will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City-Parish's investment policy requires that all repurchase agreement investments be fully collateralized and held by an independent third party in the name of the City-Parish. Also, the investment policy requires that all security transactions entered into will seek to be fully collateralized and not subject to custodial credit risk. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted and shall not generally exceed 60 days, and consists of no securities with a maturity in excess of 397 days. For purposes of determining participants' shares, investments are valued at fair value. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The \$126,319,926 invested in LAMP is held by the Parish's Consolidated Cash pool (\$90,207,315), the East Baton Rouge Sewerage Commission (\$35,439,384), the City Sales Tax Bonds Debt Service Fund (\$555,776) and the Airport Construction Funds (\$117,451).

2. Employees' Retirement System Pension Trust Funds:

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the Retirement Board to have custody of, and invest the assets of the Pension Trusts. As fiduciaries of the Pension Trusts, the Board developed and adopted *The Total Plan Statement of Investment Policies and Objectives*, in which are set forth the guidelines for investing the Retirement System's assets. The document sets forth permissible investments summarized as follows:

Cash Equivalent Investments –	US Treasury Bills, Commercial Paper, Repurchase Agreements, Money Market Funds, Custodian STIF and STEP Funds
Currency Investments –	Foreign Exchange Futures, Forwards, Swaps (applies to global or non-US managers for hedging purposes)
Equity Investments –	US and Foreign Common and Preferred Stocks, Convertible Bonds, American Depository Receipts (ADR's), Equity Real Estate and 144a Securities

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(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

2. Employees' Retirement System Pension Trust Funds (Continued):

Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, and 144a Securities
Real Assets, Private Markets and Hedge Funds

Investment in derivatives, reverse repurchase agreements and other non-traditional types of investments are not specifically authorized under the Board's investment policy. However, in the case of commingled or pooled/mutual accounts, the provisions of the prospectus or Declaration of Trust takes precedence over the investment policy. At December 31, 2016, the Retirement Board had committed, but only partially funded, a 5% allocation to three Private Equity funds, which fall in the category of Private Markets.

All investments of the Retirement System are registered in the System's name, or held by the custodian bank, Bank of New York/Mellon, Everett, MA, or its intermediaries in the System's name. The System utilizes a Short Term Investment Fund (STIF) administered by the custodian bank, BNY/Mellon, in which all uninvested cash balances of CPERS and CPERS-PGT and its full discretionary investment managers are automatically swept by the custodian into the BNY/Mellon Collective Trust Government Short Term Investment Fund, which is an unrated fund that invests in high-quality, short-term securities issued or guaranteed by the US government or by US government agencies and instrumentalities. Deposits in this fund are not insured by the FDIC.

Equity securities shall not exceed 5% of cost and 7% of fair value in any one company, and fixed income shall not exceed 2.5% of cost and 3% of fair value. However, the direct debt of the federal government shall not be restricted as a percentage of the portfolio.

No investments in any one organization shall represent 5% or more of the assets held in trust for pension benefits and no single company's securities shall represent more than 5% of the cost basis or 7% of the fair value of any manager's portfolio. There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2016, final oversight of investments and investment performance for both the original CPERS trust and CPERS-PGT remains with the Board.

Purchases and sales of investments are recorded on a trade date basis. The Retirement System's Statement of Investment Policies and Objectives prohibits the use of securities that use any form of leverage, or in which interest or principal position is tied to any prohibited type of investment.

CPERS and CPERS-PGT utilize various investment instruments, which by nature are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

The fair value of the Retirement System's investments as of December 31, 2016 is:

	<u>Fair Value</u>
U.S. Treasury Inflation-Protected Securities	\$ 50,013,571
Other securities held in trust	6,065
International Equities	220,563,048
Short-Term Investment Fund/Cash Equivalents	5,069,154
Domestic Equities and Fixed Income	559,131,243
Emerging Markets Equity	73,888,325
Equity Real Estate Fund	67,579,331
Hedge Fund of Funds	53,334,415
Private Equity	25,467,849
Total	<u>\$1,055,053,001</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

2. Employees' Retirement System Pension Trust Fund (Continued):

The fair value of \$1,049,983,847 is classified on the Statement of Fiduciary Net Position as "Investments." \$5,069,154 is classified on the Statement of Fiduciary Net Position as "Cash and Cash Equivalents."

The Retirement System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and as set forth in GASB Statement No. 72, *Fair Value Measurement and Application*. The System has the following fair value measurements as of December 31, 2016:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	December 31, 2016	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Small Cap Growth	\$ 28,315,124	\$28,315,124	\$ --	\$ --
Master Limited Partnership	43,671,656	43,671,656	--	--
Other	<u>6,065</u>	<u>--</u>	<u>3,068</u>	<u>2,997</u>
Total Investments at Fair Value Level	<u>71,992,845</u>	<u>\$71,986,780</u>	<u>\$3,068</u>	<u>\$2,997</u>
Investments Measured at NAV:				
Commingled Funds:				
Fixed Income - Domestic	286,681,913			
Fixed Income - International	18,138,857			
Domestic Equity - Large Cap	219,061,033			
Domestic Equity - Small Cap	31,415,087			
International Equity - Large Cap	108,505,510			
International Equity - Small Cap	93,918,682			
Emerging Markets Equity	73,888,325			
Real Estate	67,579,331			
Hedge Fund of Funds	53,334,415			
Private Equity	<u>25,467,849</u>			
Total Investments at NAV	<u>977,991,002</u>			
Total Investments at Fair Value		<u>\$1,049,983,847</u>		

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2016, are presented in the following table.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

2. Employees' Retirement System Pension Trust Fund (Continued):

	<u>Fair Value</u> <u>December 31, 2016</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Commingled Funds:				
Fixed Income - Domestic	\$286,681,913	\$ --	Daily	2 - 15 Days
Fixed Income - International	18,138,857	--	Daily	2 - 15 Days
Domestic Equity - Large Cap	219,061,033	--	Daily	2 - 4 Days
Domestic Equity - Small Cap	31,415,087	--	Daily	5 Days
International Equity - Large Cap	108,505,510	--	Monthly	2 - 10 Days
International Equity - Small Cap	93,918,682	--	Monthly	30 Days
Emerging Markets Equity	73,888,325	--	Monthly	30 Days
Real Estate	67,579,331	--	Quarterly	90 Days
Hedge Fund of Funds	53,334,415	--	Quarterly	65 Days
Private Equity	<u>25,467,849</u>	<u>31,605,355</u>	N/A	N/A
Total Investments at NAV	<u>\$977,991,002</u>	<u>\$31,605,355</u>		

For detailed descriptions of the individual investments, see the Retirement System's separately issued financial statements.

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rate. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. The System's 2016 Core, Core-Plus, Absolute Return and Treasury Inflation-Protected Securities (TIPS) fixed income strategies are managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets in the Core-Plus fund had a December 31, 2016, fair value of \$87,944,619 with an average duration of 5.80 years, while the Absolute Return fund had a fair value of \$84,368,487 with an average duration of 2.49 years and Core fund had a fair value of \$82,494,093 with an average duration of 5.89 years. The fair value of the TIPS account was \$50,013,571 and carried an average duration of 7.57 years.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. The Retirement System requires that debt obligations be investment grade at time of purchase (BBB/Baa or higher as rated by Standard & Poor's and/or Moody's respectively). Securities that are later downgraded below investment grade are required to be liquidated unless the investment manager and the investment consultant deem it in the System's best interest to continue to hold the securities. At December 31, 2016, the System's fixed income securities were managed only in commingled or pooled accounts.

The System's 2016 Core, Core-Plus, Absolute Return and Treasury Inflation-Protected Securities (TIPS) fixed-income strategies are managed in pooled accounts. Assets in the Core-Plus fund had a December 31, 2016, fair value of \$87,944,619 and carried a rating of A, while the Absolute Return fund had a fair value of \$84,368,487 and carried a rating of A- and the Core fund had a fair value of \$82,494,093 and carried a rating of AA-. The TIPS account had a fair value of \$50,013,571 and carried a rating of AA+.

The Retirement System's *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issue to 7% of fair value. At December 31, 2016, the System had exposure of less than 5% in any single investment issuer.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Retirement System's investment policy restricts equity investments to securities that are US dollar denominated and are registered with the SEC. Although foreign exchange futures, forward, and swaps are permissible for those managers with

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

b. Cash Equivalents and Investments - Primary Government (Continued)

2. Employees' Retirement System Pension Trust Fund (Continued):

non-US or global mandates, at December 31, 2016, CPERS and CPERS-PGT had no investments allocated in foreign currencies in non-pooled accounts of either fixed income or equity managers.

The annual money-weighted rate of return on pension plan investments is the calculated internal rate of return on pension plan investments, net of pension plan investment expense, and adjusted for changing amounts actually invested. It employs the accrual basis of accounting and is the result in aggregate of the monthly internal rates of return for the year. The annual money-weighted rate of return on the CPERS Original Trust and the CPERS-PGT Trust were 8.01% and 6.87% respectively at December 31, 2016.

c. Deposits - Discretely Presented Component Units

The discretely presented component unit agencies are required to invest idle funds within the same state statute as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposits) at their respective year ends, are categorized in the following table:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
District Attorney of the Nineteenth Judicial District	\$ 1,654,938	\$ 1,654,938
Nineteenth Judicial District Court	2,626,875	2,722,922
Nineteenth Judicial District Court Building Commission	15,214,536	15,214,536
E.B.R. Parish Family Court	201,746	201,746
E.B.R. Parish Juvenile Court	316,993	342,906
E.B.R. Parish Clerk of Court	5,304,310	5,304,310
E.B.R. Redevelopment Authority	1,192,995	1,192,995
Cyntreniks Group King Hotel Special Taxing District	14,178	14,178
Bluebonnet Convention Hotel Taxing District	68,558	68,558
EBRATS Building Special Taxing District	9,085	9,085
Old LNB Building Redevelopment Taxing District	28,052	28,052
Capital Area Transit System	<u>3,210,487</u>	<u>3,210,487</u>
Total Component Units	<u>\$29,842,753</u>	<u>\$29,964,713</u>

The following component unit deposits were exposed to custodial credit risk as explained in section (a) of this note above:

Uninsured and collateral held by pledging bank's trust department not in agency's name:

Nineteenth Judicial District Court	\$ 2,472,922
E.B.R. Parish Juvenile Court	214,139
E.B.R. Parish Clerk of Court	5,051,480
Capital Area Transit System	<u>2,960,487</u>
Total	<u>\$10,699,028</u>

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the component unit agency that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2016, there were no certificates of deposit with a maturity of 90 days or more classified on the Statement of Net Position as "Investments." The carrying amount of \$29,842,753 is classified as "Cash and cash equivalents."

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

d. Cash, Cash Equivalents and Investments Summary

1. The following is a reconciliation of the carrying amount of deposits and investments to restricted and unrestricted "Cash and cash equivalents" and "Investments" on the Financial Statements.

A. Primary government excluding Employees' Retirement System Pension Trust Funds

Cash and cash equivalents:	
Deposits	\$188,225,478
Cash on hand	4,568,357
Louisiana Asset Management Pool	<u>126,319,926</u>
Sub-total cash and cash equivalents	<u>319,113,761</u>
Investments:	
Deposits	59,032,476
Investments	<u>489,489,004</u>
Sub-total investments	<u>548,521,480</u>
Cash, cash equivalents and investments, December 31, 2016	<u><u>\$867,635,241</u></u>

Summary of "Cash and cash equivalents" and "Investments" for the Primary Government on the Statement of Net Position and Agency Funds on the Statement of Fiduciary Net Position.

Statement of Net Position - Primary Government:	
Cash and cash equivalents	\$221,760,394
Restricted Assets - Cash and cash equivalents	77,586,036
Statement of Fiduciary Net Position - Agency Fund	
Cash and cash equivalents	<u>19,767,331</u>
Total cash and cash equivalents	<u>319,113,761</u>
Statement of Net Position - Primary Government:	
Investments	294,144,337
Restricted Assets - Investments	<u>254,377,143</u>
Total investments	<u>548,521,480</u>
Total cash and cash equivalents and investments	<u><u>\$867,635,241</u></u>

B. Component units:

Cash and cash equivalents, December 31, 2016:	
Deposits	<u><u>\$29,842,753</u></u>

Summary of "Cash and cash equivalents" and "Investments" for Component Units on the Statement of Net Position:

Cash and cash equivalents	\$16,523,303
Restricted Assets - Cash and cash equivalents	<u>13,319,450</u>
Total cash and cash equivalents	<u><u>\$29,842,753</u></u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 3 - Cash, Cash Equivalents, and Investments (Continued)

d. Cash, Cash Equivalents and Investments Summary (Continued)

2. The following is a reconciliation of the carrying amount of deposits and investments to “Cash and cash equivalents” and “Investments” for CPERS and CPERS-PGT pension trust funds on the Statement of Fiduciary Net Position.

Cash and cash equivalents:	
Deposits	\$ 13,039,231
Investments	<u>5,069,154</u>
Sub-total cash and cash equivalents	18,108,385
Investments	<u>1,049,983,847</u>
Cash, cash equivalents and investments, December 31, 2016	<u><u>\$1,068,092,232</u></u>

NOTE 4 - Property Taxes

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. Year 2016 was a reassessment year. In accordance with LRS 47:1978.1(B), a supplemental roll was prepared to reassess property damaged or destroyed by the Flood of 2016.

The Sheriff of East Baton Rouge Parish, as provided by State Law (LRS 33:1435), is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. By agreement, the Sheriff is also the tax collector for City property taxes for which he receives a commission of 4.5% of total taxes collected for the City. December tax collections remitted to the City-Parish by the Sheriff in January are reported as “Due From Other Governments.”

The 2016 property tax calendar is as follows:

Levy date	July 27, 2016
Millage rates adopted	July 27, 2016
Tax bills mailed	January 6, 2017
Due date	December 31, 2016
Lien date	February 1, 2017

State Law requires the Sheriff to collect property taxes in the calendar year in which the levy is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). Due to the Flood of 2016, interest did not start accruing until February 1, 2017. After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181).

Property taxes are considered measurable each year following the filing of the tax rolls by the Assessor with the Louisiana Tax Commission. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current budgeted year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental fund level, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred inflows of resources in the year of levy. Such unavailable revenues are recognized as revenue in the fiscal year in which they become available. In unusual circumstances such as the extreme flooding that impacted our area in August 2016, which caused delays in the billing and collection of property taxes, GASB allows the availability period to be extended. The availability period was extended to March 16, 2017.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 4 - Property Taxes (Continued)

At the entity-wide level, property taxes are recognized in the year of the levy net of uncollectible amounts.

Property taxes receivable by fund type for the Primary Government are as follows:

	Property Taxes <u>Receivable</u>	Estimated Uncollectible Property Taxes <u> </u>	Net Property Taxes Receivable
General Fund	\$24,395,334	\$ 353,015	\$24,042,319
Library Board of Control Fund	40,506,453	563,942	39,942,511
Nonmajor Governmental Funds	<u>29,143,807</u>	<u>434,405</u>	<u>28,709,402</u>
 Total	 <u>\$94,045,594</u>	 <u>\$1,351,362</u>	 <u>\$92,694,232</u>

NOTE 5 - Federal and State Financial Assistance

a. Grants From Other Governments and Private Developers

Federal and State grant programs represent an important source of funding to finance housing, employment, construction, and social programs which are beneficial to the City and the Parish. These funds are recorded in the Special Revenue, Capital Projects, and Enterprise Funds. A grant appropriation is recorded when an approved contract is authorized with the funding agency through the "Grants Review Process." Receivables are established when eligible expenditures are incurred. The grants normally specify the purpose for which funds may be used and federal grants are audited annually in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept" for grants awarded prior to December 26, 2014, and in accordance with 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements, for grants awarded on or after December 26, 2014. The grant programs are also subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any material contingent liability for reimbursement which may arise as the result of these audits is recorded in accordance with generally accepted accounting principles. The City-Parish is in the process of negotiating a payment agreement with the U.S. Department of Housing and Urban Development for the repayment of funds over a three year period in the amount of \$1,291,649. This amount is recorded as claims and judgments payable on the entity-wide statement of net position for governmental activities. During 2016, the following amounts under various grants and entitlements are recorded as revenues, subsidies, or contributions in the accompanying fund financial statements:

	<u>Federal and State Operating Grants and Capital Contributions</u>	<u>Private Capital Contributions</u>
Primary Government:		
Governmental activities:		
Grants Fund	\$ 77,056,130	\$ --
Capital Projects Fund	13,283,336	1,378,570
Nonmajor governmental funds	2,977,142	--
Business-type activities:		
Greater Baton Rouge Airport District	6,270,269	--
Comprehensive Sewerage System Fund	1,431,479	3,864,264
Nonmajor business-type funds	<u>2,055,404</u>	<u>--</u>
 Total primary government	 <u>\$103,073,760</u>	 <u>\$5,242,834</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 5 - Federal and State Financial Assistance (Continued)

b. On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting For Certain Grants and Other Financial Assistance* requires the City-Parish to report and disclose in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana to certain groups of City-Parish employees.

Supplementary salary payments are made by the state directly to certain groups of employees. City-Parish is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure (expense) payments is the actual contribution made by the state. For 2016, the state paid supplemental salaries to the following groups of employees of the primary government: fire and law enforcement employees, city court judges, and employees of the Registrar of Voters' Office.

LRS 33:7392 provides for a percentage of property taxes collected in East Baton Rouge Parish to be remitted to the State Municipal Employees' Retirement System (MERS). The statute further provides for MERS to distribute a pro-rata share of these funds back to the City-Parish Employees' Retirement System. On-behalf payments recorded as revenues and expenditures (expenses) in the 2016 financial statements are as follows:

	<u>State Supplemental Salaries</u>	<u>MERS Contribution</u>	<u>Total 2016 On-Behalf Payments</u>
Primary Government:			
Governmental activities	\$8,104,801	\$1,046,829	\$9,151,630
Business-type activities	<u>157,917</u>	<u>--</u>	<u>157,917</u>
Total on-behalf payments	<u>\$8,262,718</u>	<u>\$1,046,829</u>	<u>\$9,309,547</u>

NOTE 6 - Capital Assets

a. Primary government capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Balance 1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance 12/31/2016</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land and right-of-way	\$ 162,100,006	\$ 2,016,601	\$ --	\$ 309,207	\$ 164,425,814
Construction work in progress	<u>36,891,404</u>	<u>29,178,666</u>	<u>--</u>	<u>(3,486,727)</u>	<u>62,583,343</u>
Total capital assets not being depreciated	<u>198,991,410</u>	<u>31,195,267</u>	<u>--</u>	<u>(3,177,520)</u>	<u>227,009,157</u>
Capital assets being depreciated:					
Buildings	301,103,553	2,173,974	(3,240,807)	716,290	300,753,010
Improvements (other than buildings) and infrastructure	977,404,519	7,906,730	--	3,892,884	989,204,133
Equipment and equipment under lease	<u>132,569,906</u>	<u>11,251,609</u>	<u>(4,132,100)</u>	<u>(3,386,117)</u>	<u>136,303,298</u>
Total capital assets being depreciated	<u>1,411,077,978</u>	<u>21,332,313</u>	<u>(7,372,907)</u>	<u>1,223,057</u>	<u>1,426,260,441</u>
Less accumulated depreciation for:					
Building	(167,255,344)	(6,724,313)	3,240,807	--	(170,738,850)
Improvements (other than buildings) and infrastructure	(444,471,588)	(31,351,559)	--	--	(475,823,147)
Equipment and equipment under lease	<u>(107,066,588)</u>	<u>(9,164,395)</u>	<u>4,103,715</u>	<u>3,117,169</u>	<u>(109,010,099)</u>
Total accumulated depreciation	<u>(718,793,520)</u>	<u>(47,240,267)</u>	<u>7,344,522</u>	<u>3,117,169</u>	<u>(755,572,096)</u>
Total capital assets being depreciated, net	<u>692,284,458</u>	<u>(25,907,954)</u>	<u>(28,385)</u>	<u>4,340,226</u>	<u>670,688,345</u>
Total governmental activities capital assets, net	<u>\$ 891,275,868</u>	<u>\$ 5,287,313</u>	<u>\$ (28,385)</u>	<u>\$ 1,162,706</u>	<u>\$ 897,697,502</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 6 - Capital Assets (Continued)

a. Primary government capital asset activity (Continued):

	<u>Balance</u> <u>1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>12/31/2016</u>
Business-Type Activities:					
Capital assets not being depreciated:					
Land and right-of-way	\$ 94,535,907	\$ 623,547	\$ --	\$ 24,114	\$ 95,183,568
Noise mitigation	58,392,539	--	--	--	58,392,539
Construction work in progress	<u>196,700,014</u>	<u>40,126,226</u>	<u>(29,379)</u>	<u>(134,092,821)</u>	<u>102,704,040</u>
Total capital assets not being depreciated	<u>349,628,460</u>	<u>40,749,773</u>	<u>(29,379)</u>	<u>(134,068,707)</u>	<u>256,280,147</u>
Capital assets being depreciated:					
Buildings	236,978,955	627,550	--	325,922	237,932,427
Improvements (other than buildings) and infrastructure	2,170,956,208	104,355,444	(59,082,512)	128,636,346	2,344,865,486
Equipment	<u>10,315,024</u>	<u>228,989</u>	<u>(545,215)</u>	<u>--</u>	<u>9,998,798</u>
Total capital assets being depreciated	<u>2,418,250,187</u>	<u>105,211,983</u>	<u>(59,627,727)</u>	<u>128,962,268</u>	<u>2,592,796,711</u>
Less accumulated depreciation for:					
Buildings	(126,712,198)	(9,260,862)	--	--	(135,973,060)
Improvements (other than buildings) and infrastructure	(751,730,791)	(74,855,162)	45,614,865	204,057	(780,767,031)
Equipment	<u>(8,854,701)</u>	<u>(408,519)</u>	<u>525,827</u>	<u>--</u>	<u>(8,737,393)</u>
Total accumulated depreciation	<u>(887,297,690)</u>	<u>(84,524,543)</u>	<u>46,140,692</u>	<u>204,057</u>	<u>(925,477,484)</u>
Total capital assets being depreciated, net	<u>1,530,952,497</u>	<u>20,687,440</u>	<u>(13,487,035)</u>	<u>129,166,325</u>	<u>1,667,319,227</u>
Total business-type activities capital assets, net	<u>\$1,880,580,957</u>	<u>\$ 61,437,213</u>	<u>\$(13,516,414)</u>	<u>\$ (4,902,382)</u>	<u>\$1,923,599,374</u>

The adjustments column includes the capitalization of \$1,537,605 in governmental activities and \$777,878 in business-type activities of donated assets from private sources. Adjustments of \$3,486,727 in governmental activities and \$134,092,821 in business-type activities were for prior year construction work in progress that was capitalized as assets during 2016. The adjustments column also includes an impairment loss in the amount of \$105,950 for governmental activities and a loss on the disposal of flooded equipment in the amount of \$268,949 for governmental activities and \$5,680,260 for business type activities.

On the December 31, 2016, Statement of Activities, Governmental Activities expenses for general government included an impairment loss of \$105,950 due to flood damage at the Greenwell Springs Library and Fire Station #5. The loss on the disposal of flooded vehicles is reported in general government expenses (\$9,031), public safety expenses (\$148,388) and the remaining disposal loss of \$111,530 was netted with other gains on the sale of capital assets. Business type activities include an expense for the disposal of flood damaged generators in the Sewer Activity in the amount of \$680,260 shown net of insurance proceeds.

b. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Governmental fund-types:	
General government	\$ 940,640
Public safety	7,366,593
Transportation	31,482,865
Sanitation	5,790
Health and welfare	370,729
Culture and recreation	3,269,729
Conservation and development	622,991
Internal service fund capital assets are charged to the various functions based on their usage of the assets	<u>3,180,930</u>
Total depreciation expense - governmental activities	<u>\$47,240,267</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 6 - Capital Assets (Continued)

b. Depreciation expense charged to functions of the primary government (Continued):

Business-Type Activities:

Airport	\$12,239,015
Sewer	66,087,547
Solid Waste Collection and Disposal	1,215,170
Nonmajor business-type activities	<u>4,982,811</u>
Total depreciation expense - business-type activities	<u><u>\$84,524,543</u></u>

c. Construction work in progress for the governmental activities of the primary government is composed of the following:

	<u>Project Authorization</u>	<u>Capitalized to Date</u>	<u>Balance in Construction Work In Progress 12/31/2016</u>	<u>Encumbered Capital Projects</u>	<u>Estimated Required Future Financing</u>
Capital Projects Fund:					
Miscellaneous Capital Improvements	\$103,264,791	\$ 38,285,204	\$ 8,454,449	\$24,831,667	None
Capital Improvement Roads, Streets, Drainage, Other	38,190,749	18,924,570	4,827,739	1,160,369	None
Road and Street Improvement Pay-As-You-Go Dedicated Tax	157,775,238	124,236,586	5,269,212	11,742,050	None
Bonded Dedicated Sales Tax	327,609,761	260,008,544	12,537,629	7,161,507	None
LA DOTD Grants Capital Projects	109,832,341	77,745,316	21,482,726	5,174,852	None
Downtown Signage/Visitors Amenities/ Riverfront Improvement	5,468,390	2,278,516	1,762,425	270,739	None
Nicholson Corridor High Capacity Transit	2,766,726	--	2,766,726	--	None
General Capital Expenditures	49,195,670	46,332,688	628,337	1,209,624	None
Other Governmental Funds:					
Parish Transportation	22,915,721	2,611,396	1,807,014	2,300,074	None
Chaneyville Volunteer Fire Station	11,090	--	11,090	--	None
Council on Aging Facility - Renovations	235,313	--	5,841	108,207	None
Baton Rouge Junior High Waterproofing	867,808	--	103,837	29,084	None
State of Louisiana Recovery Act	<u>19,698,287</u>	<u>4,323,720</u>	<u>2,926,318</u>	<u>4,644,167</u>	None
Total	<u><u>\$837,831,885</u></u>	<u><u>\$574,746,540</u></u>	<u><u>\$62,583,343</u></u>	<u><u>\$58,632,340</u></u>	

d. Construction work in progress at December 31, 2016, for primary government enterprise funds is composed of the following:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Capitalized</u>	<u>Balance in Construction Work in Progress 12/31/16</u>
Greater Baton Rouge Airport District:				
Runways and apron improvements	\$ 18,184,692	\$ 4,660,640	\$ --	\$ 4,660,640
Land acquisition	1,254,919	1,202,014	1,146,932	55,082
Parking garage improvements	5,450,000	289,237	--	289,237
North end development	6,647,190	3,227,673	--	3,227,673
Miscellaneous project costs	<u>3,238,918</u>	<u>2,237,386</u>	<u>--</u>	<u>2,237,386</u>
Total	<u><u>34,775,719</u></u>	<u><u>11,616,950</u></u>	<u><u>1,146,932</u></u>	<u><u>10,470,018</u></u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 6 - Capital Assets (Continued)

d. Construction work in progress at December 31, 2016 for primary government enterprise funds (Continued)

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Capitalized</u>	<u>Balance in Construction Work in Progress 12/31/16</u>
<u>Comprehensive Sewerage System Fund:</u>				
South wastewater treatment plant wet weather improvements	\$ 116,570,354	\$ 140,148,216	\$140,148,216	\$ --
North wastewater treatment plant Rehabilitation construction	48,337 102,443,113	28,355 104,377,604	-- 77,410,227	28,355 26,967,377
Sanitary sewer overflow corrective action plan	955,334,587	799,691,217	735,397,127	64,294,090
Rehabilitation of pump stations	<u>484,000</u>	<u>484,000</u>	<u>167,000</u>	<u>317,000</u>
Total	<u>1,174,880,391</u>	<u>1,044,729,392</u>	<u>953,122,570</u>	<u>91,606,822</u>
<u>Nonmajor business-type activities:</u>				
Baton Rouge River Center Fund:				
Miscellaneous building improvements	98,100	98,100	--	98,100
Theater renovations	1,800,000	170,708	--	170,708
Plaza greenspace	<u>5,024,435</u>	<u>358,392</u>	--	<u>358,392</u>
Total	<u>6,922,535</u>	<u>627,200</u>	--	<u>627,200</u>
Total-all enterprise funds	<u>\$1,216,578,645</u>	<u>\$1,056,973,542</u>	<u>\$954,269,502</u>	<u>\$102,704,040</u>

Total construction period interest costs of \$12,740,443 for the Comprehensive Sewerage System Fund was capitalized in 2016. Construction period interest costs of \$7,389,709 for the Comprehensive Sewerage System Fund and \$243,965 for the Greater Baton Rouge Airport District from the current and previous fiscal years remain in Construction Work in Progress at December 31, 2016. These costs cannot be depreciated because they have been allocated to projects that are not substantially complete.

EPA Consent Decree

During 2001, the City-Parish entered into a Consent Decree with U.S. Environmental Protection Agency (EPA) to remedy violations of the Clean Water Act and National Pollution Discharge Elimination System (NPDES) permits issued to the City-Parish for its sewerage treatment plants. The Consent Decree requires the City-Parish to achieve and maintain compliance with its NPDES permits and the Clean Water Act. The Consent Decree requires the City-Parish to complete a construction program to reduce sanitary sewer overflows by December 31, 2014. The consent decree has been modified by the City-Parish and EPA and the construction deadline has been extended to December 31, 2018.

In July 2007, EPA and DEQ formally approved the City-Parish's request to revise the original Remedial Measures Action Plan 2 (RMAP2) Sanitary Sewer Overflow Capital Improvements Program from a complex tunnel system with some rehabilitation and pump station upgrades to a program which emphasizes system wide rehabilitation, conveyance and pumping upgrades and wet weather improvements to the South Wastewater Treatment Plan. The concept and cost for this modification has been analyzed by the sewer system's program manager, CH2M HILL, Inc. Their program delivery plan (PDP) was delivered to the City-Parish in November 2007, and updated in November 2015. CH2M HILL's estimated cost for completing the revised RMAP2 is \$1.6 billion.

In accordance with the PDP recommendation, the Central Wastewater Treatment Plant was closed in July 2016, routing its flows to the South Wastewater Treatment. This recommendation has many positive aspects including eliminating a discharge point into the Mississippi River, removing a treatment plant from the downtown area, providing additional dry weather flows to the South Wastewater Treatment Plant which will assist in the biological treatment process, and providing long-term savings in operations and maintenance costs. On the December 31, 2016, Statement of Activities, \$13,467,647 is classified as a special item (expense) due to the closing of the Central Wastewater Treatment Plant.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 6 - Capital Assets (Continued)

e. A summary of changes in capital assets for component units is as follows

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>District Attorney of the Nineteenth Judicial District</u>				
Equipment	\$ 2,187,255	\$ 287,277	\$ (180,028)	\$ 2,294,504
Less: accumulated depreciation	<u>(1,540,493)</u>			<u>(1,594,553)</u>
Total District Attorney of the Nineteenth Judicial District	<u>\$ 646,762</u>			<u>\$ 699,951</u>
<u>Nineteenth Judicial District Court</u>				
Equipment	\$ 363,697	\$ 5,590	\$ (1,928)	\$ 367,359
Less: accumulated depreciation	<u>(318,484)</u>			<u>(333,071)</u>
Total Nineteenth Judicial District Court	<u>\$ 45,213</u>			<u>\$ 34,288</u>
<u>Nineteenth Judicial District Court Building Commission</u>				
Buildings	\$107,628,256	\$ --	\$ --	\$107,628,256
Equipment	<u>5,034,133</u>	<u>22,097</u>	<u>--</u>	<u>5,056,230</u>
Total	112,662,389	22,097	--	112,684,486
Less: accumulated depreciation	<u>(21,004,426)</u>			<u>(24,900,569)</u>
Total Nineteenth Judicial District Court Building Commission	<u>\$ 91,657,963</u>			<u>\$ 87,783,917</u>
<u>E.B.R. Parish Family Court</u>				
Equipment	\$ 244,637	\$ 38,271	\$ --	\$ 282,908
Less: accumulated depreciation	<u>(95,762)</u>			<u>(142,257)</u>
Total E.B.R. Parish Family Court	<u>\$ 148,875</u>			<u>\$ 140,651</u>
<u>E.B.R. Parish Juvenile Court</u>				
Equipment	\$ 433,892	\$ 44,753	\$ (123,288)	\$ 355,357
Less: accumulated depreciation	<u>(326,309)</u>			<u>(228,216)</u>
Total E.B.R. Parish Juvenile Court	<u>\$ 107,583</u>			<u>\$ 127,141</u>
<u>E.B.R. Parish Clerk of Court</u>				
Equipment	\$ 9,072,464	\$ --	\$(1,129,664)	\$ 7,942,800
Less: accumulated depreciation	<u>(8,694,928)</u>			<u>(7,661,172)</u>
Total E.B.R. Parish Clerk of Court	<u>\$ 377,536</u>			<u>\$ 281,628</u>
<u>EBR Parish Redevelopment Authority</u>				
Equipment	\$ 192,024	\$ --	\$ --	\$ 192,024
Less: accumulated depreciation	<u>(169,531)</u>			<u>(178,009)</u>
Total EBR Redevelopment Authority	<u>\$ 22,493</u>			<u>\$ 14,015</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 6 - Capital Assets (Continued)

e. A summary of changes in capital assets for component units (Continued)

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Adjustments</u> <u>and</u> <u>Deletions</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
<u>Capital Area Transit System</u>				
Construction work in progress	\$ --	\$ 129,295	\$ --	\$ 129,295
Equipment	33,021,629	7,557,648	(3,567,301)	37,011,976
Total	33,021,629	7,686,943	(3,567,301)	37,141,271
Less: accumulated depreciation	(20,197,063)			(19,173,118)
Total Capital Area Transit System	<u>\$ 12,824,566</u>			<u>\$ 17,968,153</u>
Total component units capital assets	\$158,177,987	<u>\$8,084,931</u>	<u>\$(5,002,209)</u>	\$161,260,709
Less: total accumulated depreciation	(52,346,996)			(54,210,965)
Total component units capital assets, net	<u>\$105,830,991</u>			<u>\$107,049,744</u>

NOTE 7 - Employees' Retirement Systems

a. Primary Government

1. Plan Description

CPERS and CPERS-PGT

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, a separate legal entity, administers two separate trusts. The City-Parish Employees' Retirement System regular trust (CPERS) is a cost-sharing multiple-employer defined benefit pension plan to provide benefits to any person who becomes a regular full-time employee of one of the member employers, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system. The CPERS - Police Guarantee Trust (CPERS-PGT), is a single employer, defined benefit plan, which was established as part of the City-Parish Employees' Retirement System on February 26, 2000, as the result of the voluntary transfer of 637 public safety employees from CPERS to the Municipal Police Employees' Retirement System (MPERS). The local government employers participating in the CPERS trust include:

- City of Baton Rouge, Parish of East Baton Rouge
- District Attorney of the Nineteenth Judicial District
- E.B.R. Parish Family Court
- E.B.R. Parish Juvenile Court
- St. George Fire Protection District *
- Eastside Fire Protection District *
- East Baton Rouge Recreation and Park Commission (BREC) *

*Not City-Parish component units

The City-Parish Retirement Plan, including both trusts, is reported as a blended component unit of City-Parish as defined in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Fiduciary Fund (pension trust fund) in the basic financial statements of the primary government.

The Retirement System was created by The Plan of Government and is governed by a seven member Board of Trustees (the Board). The Board is responsible for administering the assets of the system and for making policy decisions regarding investments. The trustees are members of the Retirement System, except as noted below, and are selected in the following manner: 1) two are elected from non-police and non-fire department employees; 2) one trustee each is elected from the Police and Fire Departments; 3) two people with business and accounting experience are appointed by the Metropolitan Council; 4) one is appointed by the Mayor-President. The two trustees appointed by the Metropolitan Council and the one appointed by the Mayor-President may or may not be members of the Retirement System. This is dependent on whether or not the appointees are City-Parish employees. All administrative expenses of the Retirement System are paid from funds of the system.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

EXHIBIT A - 17
 (Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

1. Plan Description (Continued)

CPERS and CPERS-PGT (Continued)

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. All trust accounts are administered by the Retirement System Board of Trustees. The financial report may be obtained by writing to the following address or downloading from www.brgov.com/dept/ERS:

Jeffrey R. Yates, Retirement Administrator
 City-Parish Employees' Retirement System
 P.O. Box 1471
 Baton Rouge, LA 70821-1471

The Retirement System reports its financial activities under the provisions of Section Pe5 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*, provides for financial reporting for pension plans that are administered through trust or equivalent arrangements. All required disclosures are included in their separately issued report. The primary government (City-Parish), as stated previously, reports the Retirement System as a Pension Trust Fund and has adopted the reporting requirements for an employer under Section P20 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*.

The CPERS-PGT was established as a separate legal trust fund on February 26, 2000, to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights in CPERS. When established, the Trust was funded from the original CPERS trust through a trustee-to-trustee transfer, for the full actuarially determined amount necessary to pay all present and future contractually guaranteed benefits to eligible members and their survivors. As a part of the transfer agreement, each officer signed a "Police Guarantee Agreement" with CPERS whereby each officer receives the same benefit he/she would have received if they had remained with CPERS. The Retirement System Board of Trustees established a Police Guarantee Trust to administer benefits to the transferred officers and their survivors. The benefits paid from the trust will equal the difference between the benefit the employee would have received from CPERS if the transfer had not taken place, and the benefit actually paid by MPERS. The CPERS-PGT was closed to new members effective February 26, 2000 - the date of its inception.

As of December 31, 2015, the measurement date, the following employees were covered by the CPERS-PGT benefit terms:

Inactive plan members and beneficiaries currently receiving benefits, and deferred retirement plan participants	171
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	188
	<u>364</u>

MPERS

The City-Parish contributes to the Municipal Police Employees' Retirement System (MPERS) Pension Plan, a cost sharing multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability and survivor benefits to municipal police officers in Louisiana, administered by the MPERS Board of Trustees. MPERS covers any full-time public safety officer employed by a participating municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing said officer does not have to pay social security. The paragraph above describes the transfer of 637 public safety officers from CPERS to MPERS, effective February 26, 2000. All new public safety officers hired by the City-Parish after February 26, 2000, are required to join MPERS as a condition of employment. MPERS benefits are established by state statutes and may be amended at the discretion of the State Legislature. MPERS issues a

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

1. Plan Description (Continued)

MPERS (Continued)

publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Board of Trustees of the Municipal Police Employees' Retirement System, 7722 Office Park Blvd., Suite 200, Baton Rouge, Louisiana 70809-7601 or downloading from www.lampers.org.

LASERS

The City-Parish contributes to the Louisiana State Employees' Retirement System (LASERS) Pension Plan, a cost sharing multiple-employer defined benefit plan administered by the LASERS Board of Trustees. LASERS is a statewide public retirement system for the benefit of eligible state employees. All elected City Court Judges are participating members. The system provides retirement and disability benefits, an annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system was established and provided for within Louisiana Revised Statute Title 11 Chapter 401. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213 or downloading from www.lasersonline.org.

2. Benefit Terms

CPERS

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement system as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system. An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years (Ordinance 10779).

Benefit payments are classified into two distinct categories which are full retirement benefits and minimum eligibility benefits. For members hired before September 1, 2015, the service requirements and benefits granted for each category are:

1. Full retirement benefits -
 - a. Granted with 25 years of service, regardless of age.
 - b. Defined as 3% of average compensation times the number of years of service.
2. Minimum eligibility benefits -
 - a. Granted with 20 years of service regardless of age, or at age 55 with 10 years of service.
 - b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. In the cases of 20 or more and less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

The Retirement System has no true cost of living benefit, but did implement the Supplemental Benefit Payment in 2006, which is a non-recurring non-guaranteed lump sum payment to qualifying retirees, and which must be declared for payment by the Board each year.

The Metropolitan Council maintains the authority to establish and amend plan benefits. On August 12, 2015, the Council approved Ordinance 16039 to make the following changes for members hired on or after September 1, 2015.

1. Full retirement benefits -
 - a. Granted with 25 years of service, minimum age 50 for public safety and 55 for non-public safety.
 - b. Defined as 3% of average compensation times the number of years of service.

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

2. Benefit Terms (Continued)

CPERS (Continued)

2. Minimum eligibility benefits -
- a. Granted with 20 years of service, under age 50 for public safety and 55 for non-public safety. Defined as 2.5% of average compensation for each year of service, less an actuarially computed age penalty.
 - b. Granted with 10 years of service or more, minimum age 55 for public safety and 60 for non-public safety. Defined as 2.5% of average compensation for each year of service.
 - c. Granted with 10 years, under age 55 for public safety and under age 60 for non-public safety. Defined as 2.5% of average compensation for each year of service upon attaining age 55 or 60.

Average compensation is determined by the highest average compensation in 60 successive months. Benefits paid to employees shall not exceed 90% of average compensation.

CPERS-PGT

With the creation of the CPERS-PGT, each officer that elected to transfer from CPERS to MPERS effective February 26, 2000, receives the same benefit he/she would have received if they had remained with CPERS. The benefits paid from the CPERS-PGT trust will equal the difference between the benefit the employee would have received from CPERS if the transfer had not taken place, and the benefit actually paid by MPERS.

MPERS

Members of MPERS hired prior to January 1, 2013, are eligible for normal retirement after they have been a member of the plan and have 25 years of creditable service at any age or they have 20 years of creditable service and are age 50 or have 12 years creditable service and are age 55. A member is eligible for early retirement after 20 years of creditable service at any age with an actuarially reduced benefit. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. Benefit rates are 3-1/3% of average monthly earnings during the highest 36 consecutive months per number of years of creditable service not to exceed 100% of final salary. Retirement benefits are payable monthly to the retiree, and upon the death of the retiree, under certain conditions outlined in the statutes, an amount is payable to the surviving spouse and minor children.

Members of MPERS hired on or after January 1, 2013, are eligible for regular retirement, early retirement, disability and survivor benefits based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the plan and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the plan and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3% and 2.5%, respectively, of average monthly earnings during the highest 60 consecutive months per number of years of creditable service not to exceed 100% of final salary. Retirement benefits are payable monthly to the retiree, and upon the death of the retiree, under certain conditions outlined in the statutes, an amount is payable to the surviving spouse and minor children. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current benefit, not to exceed 3% in any given year.

LASERS

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges receive a 3.5% accrual rate plus an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their capacity. For members of LASERS

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

2. Benefit Terms (Continued)

LASERS (Continued)

hired prior to July 1, 2006, average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment. For members hired July 1, 2006, or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members hired prior to January 1, 2011, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service. Members hired on or after January 1, 2011, are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Members hired on or after July 1, 2015, are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. The extra 1.0% accrual rate for each year of service for court officers employed after January 1, 2011, was eliminated. The System allows for the payment of permanent benefit increases that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

3. Contributions

CPERS

The City-Parish provides annual contributions to the Plan as required by Section 9.15 of The Plan of Government, which requires that the Retirement System be funded on an actuarially sound basis. Contribution rates are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council. Under the current plan, both employee and employer contributions are set by the retirement system board on an annual basis to properly fund the system. In 2016, employees made a mandatory contribution of 9.5% of gross earnings, which was the maximum rate under Part IV, Subpart 2, Sec. 1:264A1(b), while the employer contributed 28.9% of active payroll. The total employer contribution to CPERS for the year ended December 31, 2016, was \$34,906,833 and was equal to the retirement board required contributions for the year. The City-Parish recognized \$881,689 in revenue from non-employer contributions in 2016.

CPERS-PGT

Employer and employee contributions to CPERS-PGT are at the rates established for CPERS. Total employer contributions to CPERS-PGT for the year ended December 31, 2016 was \$581,007.

MPERS

Contributions for all members and employers are established by state statute and may be amended by state statute when necessary. MPERS employee members hired prior to January 1, 2013, contributed 10.0% of earned compensation for the year ended December 31, 2016. For the same members, employer contributions were 29.50% from January through June, and 31.75% for July through December 2016. All employees hired on or after January 1, 2013, become members of either the Hazardous Duty Sub-plan, or the Nonhazardous Duty Sub-plan. Employee and employer contribution rates for the Hazardous Duty Sub-plan are the same as for those hired prior to January 1, 2013. For employees belonging to the Nonhazardous Duty Sub-plan, the contribution rate was 8.0%, and the employer rate was 31.50% from January through June and 33.75% for July through December 2016. Earned compensation in the MPERS system excludes certain overtime, but includes state supplemental pay. The City-Parish's contribution to MPERS for the year ended December 31, 2016, was \$13,503,584 and was equal to the statutorily required contribution for the year. The City-Parish recognized \$2,763,619 in revenue from non-employer contributions in 2016.

LASERS

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. Contributions for all members and employers are established by state statute and may be amended by state statute when necessary. During 2016, Judges' Plan members hired

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

3. Contributions (Continued)

LASERS (Continued)

prior to January 1, 2011, contributed 11.50% of earned compensation while employers contributed 38.1% from January through June and 38.0% from July through December. For Judges hired on or after January 1, 2011, the contribution rate was 13.0%, and the employer rate was 39.3% from January through June and 36.7% for July through December 2016. The City-Parish's contribution to LASERS for the year ended December 31, 2016 was \$156,293 and was equal to the statutorily required contribution for the year.

4. Net Pension Liability

Net pension liability at December 31, 2016, is comprised of the City-Parish's proportional share of the net pension liability relating to each of the cost-sharing plans in which the City-Parish is a participating employer (CPERS, MPERS and LASERS) and the entire net pension liability relating to the CPERS-PGT single-employer plan. The net pension liability for CPERS and CPERS-PGT were measured as of December 31, 2015, rolled forward from the actuarial valuation date of January 1, 2015. MPERS and LASERS were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City-Parish's proportion of the net pension liability for each of the cost-sharing plans in which it participates was based on the City-Parish's required contributions in proportion to total required contributions for all participating employers, actuarially determined. As of the most recent measurement date for each plan, the City-Parish's proportion for each cost-sharing plan and the change in proportion from the prior measurement date were as follows:

	<u>CPERS</u>	<u>MPERS</u>	<u>LASERS</u>
Proportion (amount) of net pension liability	\$492,062,840	\$139,224,992	\$1,786,318
Proportion (%) of net pension liability	85.31%	14.85%	0.02%
Increase/(Decrease) from prior measurement	0.04%	0.05%	0.01%

The following table presents the CPERS-PGT changes in net pension liability measured as of the year ended December 31, 2015:

	<u>CPERS-PGT</u>
Total pension liability:	
Service cost	\$ 454,961
Interest	2,338,200
Differences between expected and actual experience	1,721,888
Changes in assumptions	(979,283)
Benefit payments	<u>(1,853,004)</u>
Net change in total pension liability	1,682,762
Total pension liability - beginning	<u>36,278,585</u>
Total pension liability - ending	<u>\$37,961,347</u>
Plan fiduciary net position:	
Contributions - employer	\$ 951,261
Contributions - employee	99,365
Net investment income	(403,640)
Benefit payments	(1,853,004)
Administrative expenses	<u>(313,560)</u>
Net change in fiduciary net position	(1,519,578)
Plan fiduciary net position - beginning	<u>20,085,182</u>
Plan fiduciary net position - ending	<u>\$18,565,604</u>
Net pension liability	<u>\$19,395,743</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over a number of years. For the year ended December 31, 2016 the City-Parish recognized \$86,230,628 in pension expense related to the defined benefit plans in which it participates (CPERS \$65,158,669; CPERS-PGT \$2,477,557; MPERS \$18,411,924 and LASERS \$182,478). Revenue was recognized in the amount of \$3,645,308 in ad valorem taxes and insurance premium taxes collected from non-employer contributing entities. At December 31, 2016, the City-Parish reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources				
	CPERS	CPERS-PGT	MPERS	LASERS	Total
Differences between expected and actual experience	\$ 1,772,974	\$1,291,416	\$ --	\$ 1,034	\$ 3,065,424
Changes in assumptions	30,418,652	170,370	6,769,197	--	37,358,219
Net difference between projected and actual earnings on pension plan investments	72,830,219	1,759,229	21,423,041	222,545	96,235,034
Changes in proportion and differences between actual contributions and proportionate share of contributions	119,501	--	1,397,074	793,268	2,309,843
Employer contributions to the pension plans subsequent to the measurement date of the net pension liability	<u>34,906,833</u>	<u>581,007</u>	<u>7,946,860</u>	<u>86,261</u>	<u>43,520,961</u>
Total	<u>\$140,048,179</u>	<u>\$3,802,022</u>	<u>\$37,536,172</u>	<u>\$1,103,108</u>	<u>\$182,489,481</u>

	Deferred Inflows of Resources				
	CPERS	CPERS-PGT	MPERS	LASERS	Total
Differences between expected and actual experience	\$ --	\$ --	\$2,214,718	\$ 16,572	\$ 2,231,290
Changes in assumptions	--	734,462	8,382	--	742,844
Changes in proportion and differences between actual contributions and proportionate share of contributions	<u>3,111,008</u>	<u>--</u>	<u>6,206</u>	<u>165,917</u>	<u>3,283,131</u>
	<u>\$3,111,008</u>	<u>\$734,462</u>	<u>\$2,229,306</u>	<u>\$182,489</u>	<u>\$ 6,257,265</u>

The \$43,520,961 of deferred outflows of resources resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Year	CPERS	CPERS-PGT	MPERS	LASERS	Total
2017	\$ 28,818,209	\$ 745,328	\$ 6,415,601	\$282,439	\$ 36,261,577
2018	28,818,206	745,326	6,898,804	412,348	36,874,684
2019	29,724,365	660,144	8,604,071	86,486	39,075,066
2020	<u>14,669,558</u>	<u>335,755</u>	<u>5,441,530</u>	<u>53,085</u>	<u>20,499,928</u>
Total	<u>\$102,030,338</u>	<u>\$2,486,553</u>	<u>\$27,360,006</u>	<u>\$834,358</u>	<u>\$132,711,255</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

6. Discount Rate

The discount rate used to measure the City-Parish's total pension liability for each plan and the significant assumptions used in the determination of the discount rate for each plan are included below:

	<u>CPERS</u>	<u>CPERS-PGT</u>	<u>MPERS</u>	<u>LASERS</u>
Discount rate	7.25%	6.53%	7.50%	7.75%
Change in discount rate from prior measurement date	(0.25%)	(0.32%)	--	--
Plan cash flow assumptions*	(1)	(2)	(3)	(3)
Rates incorporated in the discount				
Long-term rate of return	7.25%	7.25%	8.25%	8.72%
Period applied*	All periods	(2)	All periods	All periods
Municipal bond rate	N/A	3.57%	N/A	N/A

Sensitivity of the net pension liability to the discount rate:

Net pension liability	\$492,062,840	\$19,395,743	\$139,224,992	\$1,786,318
Net pension liability assuming a decrease				
of 1% in the discount rate	\$646,302,114	\$20,230,893	\$185,598,889	\$2,195,212
Net pension liability assuming an increase				
of 1% in the discount rate	\$363,119,206	\$18,578,571	\$100,289,899	\$1,439,722

*Plan Cash Flow Assumptions:

- (1) Plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.
- (2) Plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the contribution rate established for CPERS. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2026 fiscal year. Therefore, the long-term expected rate of return 7.25% was used to discount funded projected benefit payments and the municipal bond rate 3.57% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 6.53%.
- (3) Plan member contributions will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary.

The long-term expected rate of return for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic or geometric real rates of return for each major asset class included in each pension plan's target asset allocation are summarized in the following tables:

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

6. Discount Rate (Continued)

<u>Asset Class</u>	<u>CPERS*</u>		<u>CPERS-PGT*</u>		<u>LASERS**</u>
	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Long-term expected real rate of return</u>
Fixed Income - Domestic	30.0%	1.75%	42.5%	1.69%	1.63%
Fixed Income - International	--	--	22.5%	4.97%	2.47%
Equities - Domestic	25.0%	4.97%	22.5%	6.79%	4.31%
Equities - International	25.0%	6.79%	10.0%	6.36%	5.48%
Real Estate	5.0%	5.71%	--	5.71%	--
Alternative Investments	15.0%	7.15%	--	--	7.2%
Global Tactical Asset Allocation	--	--	--	--	2.92%
Cash	--	--	2.5%	1.00%	0.24%
Total	<u>100.0%</u>		<u>100.0%</u>		

<u>Asset Class</u>	<u>MPERS*</u>	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Equity	53.0%	3.69%
Fixed Income	21.0%	0.49%
Alternative Investments	20.0%	1.11%
Other	<u>6.0%</u>	<u>0.21%</u>
Total	<u>100.0%</u>	<u>5.50%</u>
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.25%</u>

*Arithmetic
**Geometric

7. Actuarial Assumptions

CPERS and CPERS-PGT

Valuation Date	January 1, 2015
Actuarial cost method	Entry Age Method
Inflation	2.75%
Mortality rates (healthy and disabled)	Healthy - RP-2000 Healthy Combined Blue Collar Mortality Projected to 2019 (Scale BB)
	Disabled - RP-2000 Disabled Mortality Projected to 2019 (Scale BB)
Ad-hoc cost-of-living increases	None
Experience study	Last performed for the period January 1, 2009 to December 31, 2013

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

7. Actuarial Assumptions (Continued)

CPERS and CPERS-PGT (Continued)

Salary increases

<u>Age</u>	<u>Regular</u>	<u>Fire/Police</u>
30	+2.50%	+4.00%
35	+1.50%	+2.00%
40	+1.25%	+2.00%
45	+0.75%	+1.00%
50	+0.50%	+0.00%
55	+0.00%	+0.00%

Retirement rates

<u>Age</u>	<u>Before 25 Years of Creditable Service</u>		<u>After 25 Years of Creditable Service</u>	
	<u>Retirement</u>	<u>Service</u>	<u>Retirement</u>	<u>Service</u>
55-60	10%	25	20%	
61-63	20%	26	30%	
64	25%	27	40%	
65+	100%	28+	100%	

MPERS

Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Inflation	2.875%
Mortality rates	RP-2000 Employee Table set back 4 years for males and 3 years for females for active members. RP-2000 Disabled Lives Table set back 5 years for males and 3 years for females for disabled annuitants. RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables Projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.
Ad-hoc cost-of-living increases	The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Experience study	Last performed for the period July 1, 2009 to June 30, 2014

Salary increases, including inflation and merit

<u>Years of Service</u>	<u>Salary Growth</u>
1-2	9.75%
3-23	4.75%
Over 23	4.25%

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

a. Primary Government (Continued)

7. Actuarial Assumptions (Continued)

LASERS

Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal
Inflation	3.0%
Mortality rates	Non-disabled members - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.

Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement

Ad-hoc cost-of-living increases	The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.
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Experience study	Last performed for the period July 1, 2009 to June 30, 2013
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Salary increase range

	<u>Lower Range</u>	<u>Upper Range</u>
	3.0%	5.5%

8. Payables to the Pension Plan

At December 31, 2016, the City-Parish recorded total payables of \$5,400,049 to the CPERS (\$4,988,453) and CPERS-PGT (\$411,596) retirement plans.

b. Component Units

1. Capital Area Transit System Pension Plan

Employees of Capital Area Transit System (CATS) are members of the Capital Area Transit System Employees' Pension Trust Fund ("Plan"), a defined-benefit single employer pension plan. See separately issued financial statements for more detailed information and terms of the Plan. CATS's financial reports may be obtained by writing to: Capital Area Transit System, Conner Burns, Chief Financial Officer, 2250 Florida Boulevard, Baton Rouge, LA 70802-3125.

For the year ended December 31, 2016, the following amounts are recorded related to pensions:

Net pension liability	\$461,003
Deferred outflow for pensions	854,100
Deferred inflow for pensions	272,357
Pension expense	444,515

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

2. District Attorney of the Nineteenth Judicial District Defined-Benefit Pension Plans

The District Attorney is a participating employer in two cost-sharing defined benefit pension plans. These plans are administered by two public employee retirement systems, the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) and the District Attorneys' Retirement System (DARS). See separately issued financial statements for more detailed information and terms of each plan. The DARS issues a publicly available financial report that includes financial statements and required supplementary information for the DARS. That report may be obtained by writing to the District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, or by calling (225) 267-4824. See Note 7(a) for more detailed information and terms of the CPERS Plan.

For the year ended December 31, 2016, the following amounts are recorded related to pensions:

	<u>DARS</u>	<u>CPERS</u>	<u>Total</u>
Net pension liability	\$773,096	\$12,483,496	\$13,256,592
Deferred outflow for pensions	838,081	3,601,788	4,439,869
Deferred inflow for pensions	512,519	510,025	1,022,544
Pension expense	324,046	1,531,625	1,855,671

3. Nineteenth Judicial District Court Pension Plans

The Nineteenth Judicial District Court is a participating employer in three cost-sharing, multiple employer defined benefit pension plans administered by three public employee retirement systems, the Louisiana Clerks' of Court Retirement and Relief Fund (COC), the Louisiana School Employees' Retirement System (LSERS) and the Louisiana State Employees' Retirement System (LASERS). See separately issued financial statements for more detailed information and terms of each plan. The COC report may be obtained by writing to Clerks' of Court Retirement and Relief Fund, 10202 Jefferson Highway Building A, Baton Rouge, Louisiana 70809, or by calling (225)293-1162. The LSERS report may be obtained by writing to the Louisiana School Employees' Retirement System, 8660 United Plaza Blvd., Baton Rouge, Louisiana 70804, or by calling (225) 925-6484. The LASERS report may be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 925-0185.

For the fiscal year ended June 30, 2016, the following amounts are recorded related to pensions:

	<u>COC</u>	<u>LSERS</u>	<u>LASERS</u>	<u>Total</u>
Net pension liability	\$4,220,007	\$72,696	\$8,855,905	\$13,148,608
Deferred outflow for pensions	930,232	18,642	1,503,283	2,452,157
Deferred inflow for pensions	521,489	17,322	495,101	1,033,912
Pension expense	450,384	3,833	802,428	1,256,645

4. East Baton Rouge Parish Family Court Defined-Benefit Pension Plan

The East Baton Rouge Parish Family Court is a participating employer in the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) cost-sharing defined benefit pension plan. See Note 7 (a) for more detailed information and terms of this plan.

For the year ended December 31, 2016, the following amounts are recorded related to pensions:

Net pension liability	\$2,590,246
Deferred outflow for pensions	823,270
Deferred inflow for pensions	67,216
Pension expense	193,362

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 7 - Employees' Retirement Systems (Continued)

b. Component Units (Continued)

5. East Baton Rouge Parish Juvenile Court Defined-Benefit Pension Plan

The East Baton Rouge Parish Juvenile Court is a participating employer in the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) cost-sharing defined benefit pension plan. See Note 7 (a) for more detailed information and terms of this plan.

For the year ended December 31, 2016, the following amounts are recorded related to pensions:

Net pension liability	\$2,602,048
Deferred outflow for pensions	861,348
Deferred inflow for pensions	36,065
Pension expense	262,756

6. East Baton Rouge Parish Clerk of Court Pension Plan

The East Baton Rouge Parish Clerk of Court is a participating employer in the Louisiana Clerks of Court Retirement and Relief Fund ("System"), a multiple-employer (cost-sharing), defined-benefit public employee retirement system (PERS). See separately issued financial statements for more detailed information and terms of the plan. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 10202 Jefferson Hwy, Building A, Baton Rouge, LA 70809.

For the fiscal year ended June 30, 2016, the following amounts are recorded related to pensions:

Net pension liability	\$11,635,664
Deferred outflow for pensions	3,009,167
Deferred inflow for pensions	1,301,860
Pension expense	1,467,407

NOTE 8 - Other Postemployment Benefits (OPEB)

All classified and unclassified employees of the City-Parish primary government, and certain employees of the District Attorney of the Nineteenth Judicial District, the Nineteenth Judicial District Court, EBR Parish Family Court and EBR Parish Juvenile Court discretely presented component units may at their option participate in the employees' group life, health, and dental insurance programs sponsored by the government and administered by the City-Parish Human Resources Department along with outside third-party insurance providers or administrative agents. Both employee/retiree premiums and the employer contribution toward the premiums are set each year in the Metropolitan Council approved budget.

Plan description:

The City-Parish OPEB Plan is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. Although no written plan or trust currently exists or is sanctioned by law, the OPEB plan is reported based on communications to plan members. The OPEB plan does not issue a stand-alone financial report.

Retirees may continue personal health and dental insurance coverage in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972, and amended by Metropolitan Council Resolution 42912 adopted November 12, 2003. Based on current practices, upon retirement, a totally vested employee may continue his coverage paying the same premiums and receiving the same benefits as active employees.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 8 - Other Postemployment Benefits (OPEB) (Continued)

The government pays the following percentages of the employer portion of scheduled premiums on employees hired after January 1, 2004.

<u>Years of Service</u>	<u>Vested Percentage</u>
Fewer than 10	25%
10-15 years	50%
15-20 year	75%
Over 20 years	100%

Current Funding policy:

The contribution requirements of the employees/retirees and the participating City-Parish employers are established in the annual operating budget and may be amended in subsequent years. During 2016, the dental plan was funded with employees and retirees contributing 48 percent of the dental premium and the City-Parish contributing 52 percent of the dental premium. One hundred percent of required premiums on the \$5,000 retiree life insurance policy is funded by the employer. The government's health plan is a self-insured program with a third party administrator. During 2016, employees and retirees contributed 11% - 40% of the annually adopted premium base, dependent on the type of coverage chosen and the number of family members covered. The government contributed the corresponding 60% - 89% of the premium base. Effective January 1, 2003, the employer portion of pay-as-you-go OPEB insurance premiums are allocated over all employers and funds that participate in the OPEB Plan.

The employer contribution to the OPEB plan for 2016 totaled \$23,127,465; or approximately 12.34% of gross payroll as approved by the Metropolitan Council in the 2016 operating budget. There is no retiree contribution to the OPEB plan other than the retiree share of health insurance premiums paid monthly which totaled \$6,680,193 for 2016. Approximately 3,500 active employees and 2,800 retirees along with applicable dependents were covered by the plan in 2016.

Annual OPEB Cost and Net OPEB Obligation:

The City-Parish's annual OPEB cost (expense) was calculated based on the *annual required contribution* of the employer (ARC), an amount actuarially determined in accordance with the parameters of Section P50 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2015, biannual actuarial valuation performed by an outside actuary consultant. The following table shows the components of the government's annual OPEB cost for the year and the amount actually contributed to the plan during the year:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total Primary</u>	<u>City-Parish Plan</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Component</u>	<u>OPEB Plan</u>
				<u>Units</u>	
Annual required contribution (ARC)	\$ 60,940,404	\$ 5,152,379	\$ 66,092,783	\$ 3,368,379	\$ 69,461,162
Interest on net OPEB obligation	14,868,185	1,257,072	16,125,257	821,814	16,947,071
Adjustment to ARC	<u>(14,771,885)</u>	<u>(1,248,930)</u>	<u>(16,020,815)</u>	<u>(816,490)</u>	<u>(16,837,305)</u>
Annual OPEB cost (expense)	61,036,704	5,160,521	66,197,225	3,373,703	69,570,928
Less: Contributions made	<u>(20,290,433)</u>	<u>(1,715,511)</u>	<u>(22,005,944)</u>	<u>(1,121,521)</u>	<u>(23,127,465)</u>
Increase in net OPEB obligation	40,746,271	3,445,010	44,191,281	2,252,182	46,443,463
Net OPEB obligation-beginning of year	<u>368,830,905</u>	<u>35,248,682</u>	<u>404,079,587</u>	<u>19,597,199</u>	<u>423,676,786</u>
Net OPEB obligation-end of year	<u>\$409,577,176</u>	<u>\$38,693,692</u>	<u>\$448,270,868</u>	<u>\$21,849,381</u>	<u>\$470,120,249</u>

The Primary Government's portion of the Plan's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

<u>Fiscal</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Increase (Decrease)</u>	<u>Net</u>
<u>Year</u>	<u>OPEB</u>	<u>Annual OPEB</u>	<u>to net OPEB</u>	<u>OPEB</u>
<u>Ending</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>	<u>Obligation</u>
12/31/16	\$66,197,225	33.2%	\$44,191,281	\$448,270,868
12/31/15	66,152,850	33.2	44,232,713	404,079,587
12/31/14	64,846,388	29.7	45,619,933	359,846,874

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 17
(Continued)

NOTE 8 - Other Postemployment Benefits (OPEB) (Continued)

Disclosure for those discretely presented component units listed at the beginning of this note and belonging to the City-Parish OPEB Plan were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase (Decrease) to net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
12/31/16	\$3,373,703	33.2%	\$2,252,182	\$21,849,381
12/31/15	3,406,028	33.2	2,277,421	19,597,199
12/31/14	3,307,707	29.7	2,326,997	17,319,778

Funding status and funding progress:

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$988.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$988.1 million. The ratio of UAAL to the covered payroll amount of \$170.7 million was 578.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that date. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The projected unit credit actuarial cost method was used for the January 1, 2015, actuarial valuation. Because the government currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical (and expected investments that are expected to be used in financing the payment of benefits). The actuarial assumptions included a four percent investment rate of return, compounded annually. Life expectancies were based on the Sex Distinct 2000 Combined Healthy Mortality Table projected to 2016 using Scale AA. Turnover rates were based on the government's historical data and modified based on years of employment. Probabilities of disability, retirement rates, and withdrawal rates are based on the government's historical data using probabilities from the government's retirement systems.

Both historical retiree claim costs and year 2015 retiree health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid. In addition to a general inflation rate of 2.5 percent, the plan assumes a medical inflation rate of 8.0 percent beginning in 2015, decreasing to a rate of 4.5 percent in 2072. The actuarial valuation also assumes that (1) seventy-five to eighty-five percent of members are assumed to elect retiree medical coverage upon retirement; (2) female spouses are assumed to be three years younger than males; (3) fifty-five percent of employees are assumed to be married at retirement and elect spouse's coverage; (4) zero percent of employees will have dependent children at retirement; (5) one hundred percent of members will elect medicare coverage when they are first eligible; and (6) ten percent of participants hired prior to April 1, 1986, are assumed to be ineligible for medicare upon reaching age sixty-five. However, all spouses of retirees are assumed to be medicare eligible upon reaching age sixty-five.

The amortization method for the plan is a level percentage of payroll with a thirty-year open amortization. The expected long-term payroll growth rate was estimated at 3.0 percent, compounded annually. The remaining amortization period at January 1, 2015, was thirty years.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 9 - Risk Management

a. Types of Risk

The City-Parish is self-insured for unemployment compensation, workers' compensation, general liability, automobile liability, and police liability, including liability for probation officers and constables.

For fire and extended coverage, the City-Parish is self-insured for buildings and contents owned by the City-Parish with a combined value of less than \$1,000,000 and carries an insurance policy for losses with a combined \$1,000,000 deductible. There were no settlements that exceeded insurance coverage for the past three years.

b. Accounting for Risk

In accordance with Section C50 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, the City-Parish accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

Claims paid under the City-Parish self-insurance risk program are recorded as expenditures against the General Fund. Annual fees based on reduced market premiums are charged to special revenue funds and proprietary fund types, with corresponding credits to General Fund expenditures. Long-term obligations that are not expected to be liquidated with expendable available financial resources are reported in the Government-wide Statement of Net Position under governmental activities. In order to provide for a method of paying judgments and claims in a manner to permit reasonably current payments, encourage compromise, reduce or eliminate interest and court costs, and permit budgeting without risk of reducing funds needed for necessary services and programs, the City-Parish Metropolitan Council adopted a compromised judgements "only" policy on November 26, 2002. The policy was designed to minimize the effect of increasing judgements against the City of Baton Rouge and Parish of East Baton Rouge, to balance the claims of each individual against the needs of the public interest and common good of the parish, and to avoid overburdening the local economy and its taxpaying citizens with new or increased taxes that are already needed for essential programs and services.

There were no major changes in outside insurance coverage for the year ended December 31, 2016.

c. Contingent Liabilities - Claims and Judgments

The City-Parish is a defendant in various tort claims and lawsuits involving general liability, automobile liability, personnel suits, and contractual matters. Litigation and other claims against the City-Parish for which there is at least a reasonable possibility of loss are estimated by the Parish Attorney as of the balance sheet date.

The estimated amount of liability is based on current Louisiana laws and judgments rendered in similar matters. Paragraph 110 of Section C50 GASB *Codification of Governmental Accounting and Financial Reporting Standards*, requires the accrual of a loss contingency if it is probable that an asset has been impaired or a liability incurred, whether or not it has been reported, and that the amount of loss can be reasonably estimated. Claims liabilities are based on an estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effects of specific incremental claim adjustment expenses, salvage and subrogation.

An amount of \$30,858,763 has been recorded as a long-term obligation on the Government-wide Statement of Net Position for estimated claims and judgments for risk management purposes. Incremental claim costs account for approximately 2% of that total. Subject to the aforementioned policy, it is the government's practice to pay claims and judgments against the City-Parish from available financial resources of the General Fund.

d. Employee Benefits

The City-Parish maintains a premium plan for the group health program, providing medical and prescription drug coverage to those City-Parish employees/retirees who choose to participate. During 2016, the minimum premium plan was funded with employees and retirees contributing 11%-40% of the premium and the City-Parish contributing 60%-89% of the premium, dependent upon the number of family members covered.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt

a. Primary Government

1. Summary of Changes in Long-Term Debt

Following is a summary of changes in long-term debt for the primary government for year 2016:

	Balance <u>1/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
Excess revenue contracts, loans and notes	\$ 114,510,712	\$ --	\$ 6,144,285	\$ 108,366,427	\$ 6,266,885
Deferred premium on bonds	21,252,903	--	1,805,880	19,447,023	--
Revenue bonds payable, gross	213,085,000	--	13,385,000	199,700,000	11,880,000
Less: Intragovernment payable	(2,173,333)	--	(348,333)	(1,825,000)	(366,250)
Obligation payable (off-market swaps)	5,368,002	--	562,583	4,805,419	--
Derivative Instrument Liability	14,755,836	--	2,757,780	11,998,056	--
Compensated absences payable	27,229,861	9,989,811	7,658,597	29,561,075	11,936,675
Claims and judgments payable (Note 5 and 9)	35,458,853	2,845,111	6,153,552	32,150,412	1,316,650
Employee benefits payable (Note 9)	5,151,535	69,107,041	68,764,787	5,493,789	--
Net other postemployment benefit obligation	368,830,905	61,036,704	20,290,433	409,577,176	--
Net pension liability	<u>465,718,048</u>	<u>175,530,094</u>	<u>42,745,753</u>	<u>598,502,389</u>	<u>--</u>
Total governmental activities	<u>\$1,269,188,322</u>	<u>\$318,508,761</u>	<u>\$169,920,317</u>	<u>\$1,417,776,766</u>	<u>\$31,033,960</u>
<u>Business-Type Activities:</u>					
Excess revenue contracts, loans and notes	\$ 431,756,660	\$ 577,821	\$ 1,283,500	\$ 431,050,981	\$ 1,750,500
Revenue bonds payable	981,402,609	58,172,416	54,409,000	985,166,025	13,082,000
Deferred premiums and discounts	47,619,403	6,421,368	3,036,761	51,004,010	--
Revenue bonds payable from City issues	2,173,333	--	348,333	1,825,000	366,250
Obligation payable (off-market swaps)	43,653,307	--	2,296,395	41,356,912	--
Derivative instrument liability	92,452,209	--	10,766,690	81,685,519	--
Contingent Liability	4,000,000	--	--	4,000,000	--
Landfill closure and postclosure care liability (Note 17)	15,632,271	735,420	--	16,367,691	--
Compensated absences payable	2,157,429	659,038	551,583	2,264,884	2,213,514
Net other postemployment benefit obligation	35,248,682	5,160,521	1,715,511	38,693,692	--
Net pension liability	<u>41,784,081</u>	<u>15,867,906</u>	<u>3,684,483</u>	<u>53,967,504</u>	<u>--</u>
Total business-type activities	<u>\$1,697,879,984</u>	<u>\$ 87,594,490</u>	<u>\$ 78,092,256</u>	<u>\$1,707,382,218</u>	<u>\$17,412,264</u>

Internal service funds serve predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$176,206 of compensated absences for internal service funds is included in the above amount. The compensated absences liability attributable to governmental activities has been liquidated primarily by the General Fund in prior years with any remainder liquidated in the governmental and internal service funds in which the liability occurred. Claims and judgments payable, employee benefits payable, and net other post-employment benefits obligation are liquidated by the General Fund. Net pension liability has been liquidated in the funds in which the liability occurred.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

2. Schedule of Bonds Payable

The following is a schedule of bonds payable for the primary government at December 31, 2016:

	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Authorized and Issued</u>	<u>Outstanding</u>
Governmental Activities:					
<u>Excess revenue contracts, loans and notes</u>					
City of Baton Rouge:					
2012 Taxable Refunding	01/15-7/15	04/04/2012	01/15/2029	\$ 58,075,000	\$ 47,585,000
LA Community Development 2000A Program Visit Baton Rouge	Monthly	09/01/2007	11/30/2029	750,000	547,600
Parish of East Baton Rouge:					
LA Community Development Authority 1999	Monthly	08/11/1999	05/31/2018	1,500,000	285,714
LA Community Development 2000A Program	Monthly	09/01/2007	11/30/2029	264,713	218,113
2012 LCDA Road Improvements Project	02/01-08/01	03/01/2012	08/01/2030	33,585,000	26,765,000
2015 LCDA Road Improvements Project	02/01-08/01	04/09/2015	08/01/2030	<u>34,415,000</u>	<u>32,965,000</u>
Total excess revenue contracts, loans and notes				<u>128,589,713</u>	<u>108,366,427</u>
<u>Revenue bonds</u>					
City of Baton Rouge:					
2007A Public Improvement Sales Tax	02/01-08/01	03/28/2007	08/01/2018	30,395,000	720,000
2010B Public Improvement Sales Tax	02/01-08/01	09/28/2010	08/01/2026	19,045,000	13,245,000
Less: debt recorded in business- type activities				(3,840,000)	(1,825,000)
Parish of East Baton Rouge:					
Road and Street Improvement:					
2008A Sales Tax Bonds (Variable)	02/01-08/01	04/17/2008	08/01/2030	93,440,000	88,875,000
2009A Sales Tax Bonds	02/01-08/01	02/12/2009	08/01/2030	110,000,000	24,195,000
2015 Refunding Sales Tax Bonds	02/01-08/01	04/09/2015	08/01/2030	59,430,000	59,430,000
2013A Public Improvement Sales Tax	02/01-08/01	06/13/2013	02/01/2028	11,000,000	9,230,000
2014A Public Improvement Sales Tax	02/01-08/01	06/27/2014	02/01/2026	<u>4,600,000</u>	<u>4,005,000</u>
Total revenue bonds				<u>324,070,000</u>	<u>197,875,000</u>
Total governmental activities				<u>452,659,713</u>	<u>306,241,427</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

2. Schedule of Bonds Payable (Continued)

	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Authorized and Issued</u>	<u>Outstanding</u>
Business-Type Activities:					
<u>Excess revenue contracts, loans and notes</u>					
Parish of East Baton Rouge:					
LCDCA loan 1999 Program	Monthly	08/11/1999	05/31/2018	\$ 7,779,481	\$ 2,505,981
Sewerage Commission:					
2013A LCDCA Sewerage Commission Projects	02/01-08/01	05/09/2013	02/01/2048	126,260,000	126,260,000
2013B (LIBOR Index) LCDCA Sewerage Commission Projects	Monthly	05/10/2013	02/01/2049	92,500,000	92,500,000
2014A LCDCA Sewerage Commission Projects	02/01-08/01	04/10/2014	02/01/2044	<u>209,785,000</u>	<u>209,785,000</u>
Total excess revenue contracts, loans and notes				<u>436,324,481</u>	<u>431,050,981</u>
<u>Revenue bonds</u>					
City of Baton Rouge:					
Airport:					
2005B Public Improvement Sales Tax (Taxable)	02/01-08/01	04/19/2005	08/01/2029	2,100,000	--
2008A-2 Public Improvement Sales Tax	02/01-08/01	01/24/2008	08/01/2037	47,205,000	1,455,000
2008B Public Improvement Sales Tax (Taxable)	02/01-08/01	01/24/2008	08/01/2022	9,505,000	4,615,000
2010A Public Improvement Sales Tax (GO Zone)	02/01-08/01	01/28/2010	08/01/2039	6,000,000	5,335,000
2016A-1 Public Improvement Sales Tax	02/01-08/01	04/28/2016	08/01/2037	40,765,000	40,765,000
2016A-2 Public Improvement Sales Tax (Taxable)	02/01-08/01	04/28/2016	08/01/2029	1,315,000	1,275,000
2016A-3 Public Improvement Sales Tax	02/01-08/01	04/28/2016	08/01/2041	4,915,000	4,915,000
Revenue bonds payable from City issues				3,840,000	1,825,000
Sewerage Commission:					
2010 Revenue Bonds (DEQ)	02/01-08/01	04/29/2010	02/01/2031	8,300,000	6,765,000
2010B Revenue Bonds (Taxable Direct Pay Build America Bonds)	02/01-08/01	05/27/2010	02/01/2045	357,840,000	350,605,000
2011A Revenue Bonds (LIBOR Index)	Monthly	07/28/2011	02/01/2046	202,500,000	184,505,000
2013A Taxable Revenue Bonds (DEQ)	02/01-08/01	03/06/2013	02/01/2034	29,937,128	28,900,128
2013B Taxable Revenue Refunding Bonds	02/01-08/01	05/02/2013	02/01/2024	25,390,000	22,905,000
2014A Taxable Revenue Refunding Bonds	02/01-08/01	12/17/2014	02/01/2031	127,455,000	127,455,000
2014B Tax-Exempt Revenue Refunding Bonds	02/01-08/01	12/17/2014	02/01/2039	205,435,000	205,435,000
2015A Taxable Revenue Bonds (DEQ)	02/01-08/01	10/08/2015	02/01/2036	135,947	135,947
2016A Taxable Revenue Bonds (DEQ)	02/01-08/01	05/17/2016	02/01/2038	<u>99,950</u>	<u>99,950</u>
Total revenue bonds				<u>1,072,738,025</u>	<u>986,991,025</u>
Total business-type activities				<u>1,509,062,506</u>	<u>1,418,042,006</u>
Total all bonds, contracts, loans and notes				<u>\$1,961,722,219</u>	<u>\$1,724,283,433</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

3. Changes in Bonds Payable

	Outstanding January 1, 2016	Issued	Retired	Outstanding December 31, 2016
Governmental Activities:				
<u>Excess revenue contracts, loans and notes</u>				
City of Baton Rouge:				
2012 Taxable Refunding	\$ 50,670,000	\$ --	\$ 3,085,000	\$ 47,585,000
LA Community Development 2000A Program				
Visit Baton Rouge	576,000	--	28,400	547,600
Parish of East Baton Rouge:				
LA Community Development Authority 1999	499,999	--	214,285	285,714
LA Community Development 2000A Program	229,713	--	11,600	218,113
2012 LCDA Road Improvements Project	28,120,000	--	1,355,000	26,765,000
2015 LCDA Road Improvements Project	34,415,000	--	1,450,000	32,965,000
Total excess revenue contracts, loans and notes	114,510,712	--	6,144,285	108,366,427
<u>Revenue bonds</u>				
City of Baton Rouge:				
2007A Public Improvement Sales Tax	3,250,000	--	2,530,000	720,000
2010B Public Improvement Sales Tax	14,455,000	--	1,210,000	13,245,000
Less: debt recorded in business- type activities	(2,173,333)	--	(348,333)	(1,825,000)
Parish of East Baton Rouge:				
Road and Street Improvement:				
2008A Sales Tax Bonds (Variable)	93,440,000	--	4,565,000	88,875,000
2009A Sales Tax Bonds	28,340,000	--	4,145,000	24,195,000
2015 Refunding Sales Tax Bonds	59,430,000	--	--	59,430,000
2013A Public Improvement Sales Tax	9,860,000	--	630,000	9,230,000
2014A Public Improvement Sales Tax	4,310,000	--	305,000	4,005,000
Total revenue bonds	210,911,667	--	13,036,667	197,875,000
Total governmental activities	325,422,379	--	19,180,952	306,241,427
Business-Type Activities:				
<u>Excess revenue contracts, loans and notes</u>				
Parish of East Baton Rouge:				
LCDA loan 1999 Program	3,211,660	577,821	1,283,500	2,505,981
Sewerage Commission:				
2013A LCDA Sewerage Commission Projects	126,260,000	--	--	126,260,000
2013B (LIBOR Index) LCDA Sewerage Commission Projects	92,500,000	--	--	92,500,000
2014A LCDA Sewerage Commission Projects	209,785,000	--	--	209,785,000
Total excess revenue contracts, loans and notes	431,756,660	577,821	1,283,500	431,050,981

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

3. Changes in Bonds Payable (Continued)

	Outstanding January 1, 2016	Issued	Retired	Outstanding December 31, 2016
Business-Type Activities: (Continued)				
<u>Revenue bonds</u>				
City of Baton Rouge:				
2005B Public Improvement Sales Tax (Taxable)	\$ 1,490,000	\$ --	\$ 1,490,000	\$ --
2008A-2 Public Improvement Sales Tax	44,750,000	--	43,295,000	1,455,000
2008B Public Improvement Sales Tax (Taxable)	5,295,000	--	680,000	4,615,000
2010A Public Improvement Sales Tax (GO Zone)	5,475,000	--	140,000	5,335,000
2016A-1 Public Improvement Sales Tax	--	40,765,000	--	40,765,000
2016A-2 Public Improvement Sales Tax (Taxable)	--	1,315,000	40,000	1,275,000
2016A-3 Public Improvement Sales Tax	--	4,915,000	--	4,915,000
Revenue bonds payable from City issues	2,173,333	--	348,333	1,825,000
Sewerage Commission:				
2010 Revenue Bonds (DEQ)	7,155,000	--	390,000	6,765,000
2010B Revenue Bonds (Taxable Direct Pay Build America Bonds)	353,125,000	--	2,520,000	350,605,000
2011A Revenue Bonds (LIBOR Index)	188,420,000	--	3,915,000	184,505,000
2013A Taxable Revenue Bonds (DEQ)	18,726,662	11,077,466	904,000	28,900,128
2013B Taxable Revenue Refunding Bonds	23,940,000	--	1,035,000	22,905,000
2014A Taxable Revenue Refunding Bonds	127,455,000	--	--	127,455,000
2014B Tax-Exempt Revenue Refunding Bonds	205,435,000	--	--	205,435,000
2015A Taxable Revenue Bonds (DEQ)	135,947	--	--	135,947
2016A Taxable Revenue Bonds (DEQ)	--	99,950	--	99,950
Total revenue bonds	<u>983,575,942</u>	<u>58,172,416</u>	<u>54,757,333</u>	<u>986,991,025</u>
Total business-type activities	<u>1,415,332,602</u>	<u>58,750,237</u>	<u>56,040,833</u>	<u>1,418,042,006</u>
Total all bonds, contracts, loans and notes	<u>\$1,740,754,981</u>	<u>\$58,750,237</u>	<u>\$75,221,785</u>	<u>\$1,724,283,433</u>

4. Interest Requirements to Maturity

The following is a summary of bonded debt at December 31, 2016, and interest requirements to maturity:

	Debt Payable 12/31/2016	Interest Requirements to Maturity	Total
Governmental Activities:			
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
2012 Taxable Refunding	\$ 47,585,000	\$ 13,104,854	\$ 60,689,854
LA Community Development 2000A Program			
Visit Baton Rouge	547,600	89,555	637,155
Parish of East Baton Rouge:			
LA Community Development 1999 Program	285,714	3,601	289,315
LA Community Development 2000A Program	218,113	35,794	253,907
2012 LCDA Road Improvements Project	26,765,000	9,978,381	36,743,381
2015 LCDA Road Improvements Project	<u>32,965,000</u>	<u>14,087,250</u>	<u>47,052,250</u>
Total excess revenue contracts, loans and notes	<u>108,366,427</u>	<u>37,299,435</u>	<u>145,665,862</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

4. Interest Requirements to Maturity (Continued)

	<u>Debt Payable</u> <u>12/31/2016</u>	<u>Interest</u> <u>Requirements</u> <u>to Maturity</u>	<u>Total</u>
Governmental Activities: (Continued)			
<u>Revenue bonds</u>			
City of Baton Rouge:			
2007A Public Improvement Sales Tax (3.82%)*	\$ 720,000	\$ 36,400	\$ 756,400
2010B Public Improvement Sales Tax (3.02%)*	13,245,000	2,465,249	15,710,249
Less: Debt recorded in business-type activities	(1,825,000)	(190,496)	(2,015,496)
Parish of East Baton Rouge:			
Road and Street Improvement:			
2008A Sales Tax Bonds (Variable)	88,875,000	29,548,534	118,423,534
2009A Sales Tax Bonds (4.83%)*	24,195,000	3,815,725	28,010,725
2015 Refunding Sales Tax Bonds (3.10%)*	59,430,000	30,765,750	90,195,750
2013A Public Improvement Sales Tax	9,230,000	1,225,575	10,455,575
2014A Public Improvement Sales Tax	4,005,000	482,295	4,487,295
Total revenue bonds	<u>197,875,000</u>	<u>68,149,032</u>	<u>266,024,032</u>
Total governmental activities	<u>306,241,427</u>	<u>105,448,467</u>	<u>411,689,894</u>
Business-Type Activities:			
<u>Excess revenue contracts, loans and notes</u>			
Parish of East Baton Rouge:			
LCDA loan 1999 Program	2,505,981	39,333	2,545,314
East Baton Rouge Sewerage Commission:			
2013A LCDA Sewerage Commission Projects	126,260,000	152,329,150	278,589,150
2013B (LIBOR Index) Sewerage Commission Projects	92,500,000	129,978,363	222,478,363
2014A LCDA Sewerage Commission Projects	<u>209,785,000</u>	<u>202,123,156</u>	<u>411,908,156</u>
Total excess revenue contracts, loans and notes	<u>431,050,981</u>	<u>484,470,002</u>	<u>915,520,983</u>
<u>Revenue bonds</u>			
City of Baton Rouge:			
2008A-2 Public Improvement Sales Tax (4.59%)*	1,455,000	84,225	1,539,225
2008B Public Improvement Sales Tax (Taxable) (4.59%)*	4,615,000	885,294	5,500,294
2010A Public Improvement Sales Tax (GO Zone) (4.36%)*	5,335,000	3,186,832	8,521,832
2016A-1 Public Improvement Sales Tax (2.86%)*	40,765,000	23,451,388	64,216,388
2016A-2 Public Improvement Sales Tax (Taxable) (2.92%)*	1,275,000	270,542	1,545,542
2016A-3 Public Improvement Sales Tax (2.97%)*	4,915,000	2,282,219	7,197,219
Revenue bonds payable from City issues	1,825,000	190,496	2,015,496
Sewerage Commission:			
2010 Revenue Bonds (DEQ)	6,765,000	232,877	6,997,877
2010B Revenue Bonds (Taxable Direct Pay			
Build America Bonds) (3.94%)*	350,605,000	457,415,870	808,020,870
2011A Revenue Bonds (LIBOR Index) (Variable)	184,505,000	136,095,905	320,600,905
2013A Taxable Revenue Bonds (DEQ)	28,900,128	1,201,574	30,101,702
2013B Taxable Revenue Refunding Bonds (2.54%)*	22,905,000	2,661,195	25,566,195
2014A Taxable Revenue Refunding Bonds (3.57%)*	127,455,000	42,266,439	169,721,439
2014B Tax-Exempt Revenue Refunding Bonds (3.76%)*	205,435,000	168,056,425	373,491,425
2015A Taxable Revenue Bonds (DEQ)	135,947	6,260	142,207
2016A Taxable Revenue Bonds (DEQ)	99,950	5,400	105,350
Total revenue bonds	<u>986,991,025</u>	<u>838,292,941</u>	<u>1,825,283,966</u>
Total business-type activities	<u>1,418,042,006</u>	<u>1,322,762,943</u>	<u>2,740,804,949</u>
Total all bonds, contracts, loans and notes	<u>\$1,724,283,433</u>	<u>\$1,428,211,410</u>	<u>\$3,152,494,843</u>

* True interest cost (TIC)

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

5. Debt Service Requirements to Maturity

The annual requirements to amortize all bonded debt outstanding, including principal and interest, are as follows:

Governmental Activities:

Year	<u>Excess Revenue Contracts, Loans and Notes</u>			<u>Revenue Bonds</u>			Total Governmental Activities
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	\$ 6,266,885	\$ 4,545,295	\$ 10,812,180	\$ 11,513,750	\$ 8,553,372	\$ 20,067,122	\$ 30,879,302
2018	6,267,529	4,365,230	10,632,759	11,601,667	8,117,149	19,718,816	30,351,575
2019	6,447,000	4,144,255	10,591,255	11,933,750	7,608,475	19,542,225	30,133,480
2020	6,709,600	3,897,293	10,606,893	12,514,583	7,080,556	19,595,139	30,202,032
2021	7,047,400	3,629,347	10,676,747	13,236,250	6,520,416	19,756,666	30,433,413
2022-2026	40,753,600	13,303,997	54,057,597	74,585,000	23,581,821	98,166,821	152,224,418
2027-2030	34,874,413	3,414,018	38,288,431	62,490,000	6,687,243	69,177,243	107,465,674
Total	<u>\$108,366,427</u>	<u>\$37,299,435</u>	<u>\$145,665,862</u>	<u>\$ 197,875,000</u>	<u>\$ 68,149,032</u>	<u>\$ 266,024,032</u>	<u>\$ 411,689,894</u>

Business-Type Activities:

Year	<u>Excess Revenue Contracts, Loans and Notes</u>			<u>Revenue Bonds</u>			Total Business-Type Activities
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	\$ 1,750,500	\$ 20,275,638	\$ 22,026,138	\$ 13,448,250	\$ 46,471,819	\$ 59,920,069	\$ 81,946,207
2018	755,481	20,244,145	20,999,626	14,042,333	46,020,143	60,062,476	81,062,102
2019	--	20,240,225	20,240,225	19,688,250	45,469,414	65,157,664	85,397,889
2020	--	20,240,225	20,240,225	23,425,417	44,748,690	68,174,107	88,414,332
2021	--	20,240,225	20,240,225	27,073,750	43,872,383	70,946,133	91,186,358
2022-2026	12,935,000	100,562,500	113,497,500	148,341,000	202,813,701	351,154,701	464,652,201
2027-2031	38,600,000	93,334,875	131,934,875	165,882,000	170,652,982	336,534,982	468,469,857
2032-2036	70,755,000	80,129,718	150,884,718	171,070,075	131,417,586	302,487,661	453,372,379
2037-2041	81,120,000	62,033,438	143,153,438	208,404,950	83,254,619	291,659,569	434,813,007
2042-2046	96,815,000	39,832,342	136,647,342	195,615,000	23,571,604	219,186,604	355,833,946
2047-2049	128,320,000	7,336,671	135,656,671	--	--	--	135,656,671
Total	<u>\$431,050,981</u>	<u>\$484,470,002</u>	<u>\$915,520,983</u>	<u>\$986,991,025</u>	<u>\$838,292,941</u>	<u>\$1,825,283,966</u>	<u>\$2,740,804,949</u>

6. Future Year Obligations

Principal and interest requirements of various bond issues for the year 2017 are as follows:

Governmental Activities:	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
2012 Taxable Refunding	\$ 3,135,000	\$ 1,648,657	\$ 4,783,657
LA Community Development 2000A Program			
Visit Baton Rouge	30,600	12,120	42,720
Parish of East Baton Rouge:			
LA Community Development 1999 Program	214,285	3,336	217,621
LA Community Development 2000A Program	12,000	4,826	16,826
2012 LCDA Road Improvements Project	1,395,000	1,228,106	2,623,106
2015 LCDA Road Improvements Project	<u>1,480,000</u>	<u>1,648,250</u>	<u>3,128,250</u>
Total excess revenue contracts, loans and notes	<u>6,266,885</u>	<u>4,545,295</u>	<u>10,812,180</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

6. Future Year Obligations (Continued)

Governmental Activities (Continued):	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>Revenue bonds</u>			
City of Baton Rouge:			
2007A Public Improvement Sales Tax	\$ 530,000	\$ 28,800	\$ 558,800
2010B Public Improvement Sales Tax	1,270,000	464,762	1,734,762
Less: Debt recorded in business-type activities	(366,250)	(67,600)	(433,850)
Parish of East Baton Rouge:			
Road and Street Improvement:			
2008A Sales Tax Bonds (Variable)	4,790,000	3,725,925	8,515,925
2009A Sales Tax Bonds	4,320,000	1,158,125	5,478,125
2015 Refunding Sales Tax Bonds	--	2,971,500	2,971,500
2013A Public Improvement Sales Tax	650,000	186,115	836,115
2014A Public Improvement Sales Tax	320,000	85,745	405,745
Total revenue bonds	<u>11,513,750</u>	<u>8,553,372</u>	<u>20,067,122</u>
Total governmental activities	<u>17,780,635</u>	<u>13,098,667</u>	<u>30,879,302</u>
 Business-Type Activities:			
<u>Excess revenue contracts, loans and notes</u>			
Parish of East Baton Rouge:			
LCDA loan 1999 Program	1,750,500	35,413	1,785,913
Sewerage Commission:			
2013A LCDA Sewerage Commission Projects	--	5,734,100	5,734,100
2013B (LIBOR Index) LCDA Sewerage Commission Projects	--	4,185,625	4,185,625
2014A LCDA Sewerage Commission Projects	--	<u>10,320,500</u>	<u>10,320,500</u>
Total excess revenue contracts, loans and notes	<u>1,750,500</u>	<u>20,275,638</u>	<u>22,026,138</u>
 <u>Revenue bonds</u>			
City of Baton Rouge:			
2008A-2 Public Improvement Sales Tax	715,000	54,625	769,625
2008B Public Improvement Sales Tax (Taxable)	715,000	251,144	966,144
2010A Public Improvement Sales Tax (GO Zone)	145,000	223,944	368,944
2016A-1 Public Improvement Sales Tax	--	1,725,988	1,725,988
2016A-2 Public Improvement Sales Tax (Taxable)	85,000	31,835	116,835
2016A-3 Public Improvement Sales Tax	130,000	160,138	290,138
Plus: Revenue bonds payable from City issues	366,250	67,600	433,850
Sewerage Commission:			
2010 Revenue Bonds (DEQ)	446,000	29,439	475,439
2010B Revenue Bonds (Taxable Direct Pay Build America Bonds)	2,960,000	20,722,295	23,682,295
2011A Revenue Bonds (LIBOR Index)	4,085,000	8,286,471	12,371,471
2013A Taxable Revenue Bonds (DEQ)	1,480,000	124,757	1,604,757
2013B Taxable Revenue Refunding Bonds	2,315,000	513,972	2,828,972
2014A Taxable Revenue Refunding Bonds	--	4,306,813	4,306,813
2014B Tax-Exempt Revenue Refunding Bonds	--	9,971,750	9,971,750
2015A Taxable Revenue Bonds (DEQ)	6,000	598	6,598
2016A Taxable Revenue Bonds (DEQ)	--	450	450
Total revenue bonds	<u>13,448,250</u>	<u>46,471,819</u>	<u>59,920,069</u>
Total business-type activities	<u>15,198,750</u>	<u>66,747,457</u>	<u>81,946,207</u>
Total all bonds, contracts, loans and notes	<u>\$32,979,385</u>	<u>\$79,846,124</u>	<u>\$112,825,509</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

EXHIBIT A - 17
 (Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

7. Legal Debt Margin - General Obligation Bonds

Computation of legal debt margin for general obligation bonds payable from ad valorem tax is as follows:

Governing Authority: City of Baton Rouge

Ad valorem taxes:

Assessed valuation, 2016 tax rolls	<u>\$1,950,078,128</u>
Debt limit: 10% of assessed valuation (for any one purpose)	\$ 195,007,813
Debt limit: 15% of assessed valuation (for sewerage purposes)	292,511,719
Debt limit: 35% of assessed valuation (aggregate, all purposes)	682,527,345

There are no outstanding bonds secured by ad valorem taxes of the City of Baton Rouge at this time.

Governing Authority: Parish of East Baton Rouge

Ad valorem taxes:

Assessed valuation, 2016 tax rolls	<u>\$4,646,527,000</u>
Debt limit: 10% of assessed valuation (for any one purpose)	\$ 464,652,700
Debt limit: 15% of assessed valuation (for sewerage purposes)	696,979,050

There are no outstanding bonds secured by ad valorem taxes of the Parish of East Baton Rouge at this time.

Governing Authority: East Baton Rouge Sewerage Commission

Ad valorem taxes:

Assessed valuation, 2016 tax rolls	<u>\$4,646,527,000</u>
Debt limit: 15% of assessed valuation (for sewerage purposes)	\$ 696,979,050

There are no outstanding bonds secured by ad valorem taxes of the East Baton Rouge Sewerage Commission at this time.

The Louisiana Constitution gives East Baton Rouge Parish, any municipal corporation in the parish and any sewerage district in the parish the power to incur debt and issue bonds for sewerage purposes up to a maximum of 15% of the assessed valuation of the taxable property in such subdivision. Louisiana Revised Statutes limit the Parish's bonded debt for other purposes to 10% of the assessed valuation of the taxable property for one purpose and 35% for all purposes.

Excess revenue contracts, loans and notes are secured by the excess of any general property tax and other revenues that were levied for operation of the General Fund. They are payable through excess revenues of the General Fund budget and required approval by the Louisiana State Bond Commission. The debt obligations are issued on the authority of the Metropolitan Council and do not require a referendum from taxpayers.

8. 2% Sales Tax Revenue Bonds

The City of Baton Rouge and the Parish of East Baton Rouge, each levy a two percent sales and use tax on goods and services within their respective taxing districts. Since 1989, both the City of Baton Rouge and the Parish of East Baton Rouge have authorized the issuance of Public Improvement Sales Tax Revenue Bonds secured by this sales tax for the purpose of constructing and improving public facilities, advance refunding outstanding parity bond issues when market rates made it advantageous, providing a debt service reserve when required, for each respective issue, and paying the issuance costs thereof.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

8. 2% Sales Tax Revenue Bonds (Continued)

Act No. 328 of the 1988 Regular Session of the Louisiana Legislature, House Bill No. 1599, Section 8(a) imposes a limit on the debt service obligations that can be outstanding of 40% of the gross avails of the sales and use tax for both the city and the parish 2% sales and use tax. The legal debt calculation as of December 31, 2016, is as follows:

	City	Parish
Actual 2016 Revenues	<u>\$109,924,048</u>	<u>\$ 86,874,712</u>
Debt Capacity Before Outstanding Bonds (40%)	43,969,619	34,749,885
Less: Highest Annual Debt Service on Outstanding Bonds	<u>(8,024,931)</u>	<u>(1,396,499)</u>
Debt Capacity	\$ 35,944,688	\$ 33,353,386
Interest factor for \$1 of debt, 5.0%, 25 years	0.070952457	0.070952457
Additional Bond Capacity (25 Years at 5.5%)	<u>\$506,602,442</u>	<u>\$470,080,775</u>

These bonds are paid through the City Sales Tax Revenue Bonds Debt Service Fund and the Parish Sales Tax Revenue Bonds Debt Service Fund. Sinking fund payments are made monthly with bond interest and/or principal payments due February 1 and August 1 of each year. As of December 31, 2016, the following issues are outstanding:

<u>Bond Issue</u>	<u>Outstanding 12/31/2016</u>	<u>Primary Purpose of Issue</u>
City of Baton Rouge:		
<u>Governmental type activities:</u>		
\$30,395,000; Series 2007A	\$ 720,000	Current and advance refunding parity bond issues
\$19,045,000; Series 2010B	13,245,000	Advance refunding parity bond issue
<u>Business type activities:</u>		
\$47,205,000; Series 2008A-2	1,455,000	Provide and restructure prior District Indebtedness
\$ 9,505,000; Series 2008B	4,615,000	Provide and restructure prior District Indebtedness
\$ 6,000,000; Series 2010A (GO Zone)	5,335,000	Provide capital improvement funds for airport projects
\$40,765,000; Series 2016A-1	40,765,000	Advance refunding parity bond issue
\$ 1,315,000; Series 2016A-2	1,275,000	Current refunding parity bond issues
\$ 4,915,000; Series 2016A-3	<u>4,915,000</u>	Provide capital improvement funds for airport projects
Total	<u>\$72,325,000</u>	
Parish of East Baton Rouge:		
<u>Governmental type activities:</u>		
\$11,000,000; Series 2013A	\$ 9,230,000	Provide funds for a Public Safety Complex
\$ 4,600,000; Series 2014A	<u>4,005,000</u>	Provide funds for a Public Safety Complex renovation
	<u>\$13,235,000</u>	

All of the above sales tax revenue bonds issued by the City of Baton Rouge and Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the respective entity's two percent sales and use tax. The business type activity bonds are recorded in the Greater Baton Rouge Airport District Enterprise Fund.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

9. ½% Road and Street Sales Tax Revenue Bonds

On October 15, 2005, East Baton Rouge Parish voters approved a 23 year extension of the one-half percent sales and use tax, previously set to expire on December 31, 2007, specifically for the purpose of public road and street repair within East Baton Rouge Parish. The Parish of East Baton Rouge is authorized to issue debt secured by this additional one-half percent road and street sales tax for the purpose of building new roads and widening existing roads, advance refunding outstanding parity bond issues when market rates make it advantageous, providing a debt service reserve when required, for each respective issue, and paying the issuance costs thereof.

Louisiana Revised Statute 39:1430(A) requires that the annual debt service payments for revenue bonds secured by sales tax revenues may not be in excess of seventy-five percent (75%) for the sales tax revenues estimated by the governing authority to be received by it in the calendar year in which the bonds are issued.

Anticipated revenues based on 2017 annual operating budget	<u>\$29,721,710</u>
Debt Capacity Before Outstanding Bonds (75%)	22,291,283
Less: Highest Annual Debt Service on Outstanding Bonds	<u>16,970,747</u>
Debt Capacity	\$ 5,320,536
Interest factor for \$1 of debt, 5.00%, 14 years	0.101023969
Additional Bond Capacity (14 Years at 5.00%)	<u>\$52,666,076</u>
Sales Tax Revenues (Remaining 25%)	\$ 7,430,427
Less: 2017 Subordinate Lien Debt	<u>5,751,356</u>
Balance Available for Capital Improvement Programs	<u>\$ 1,679,071</u>

<u>Bond Issue</u>	<u>Outstanding 12/31/2016</u>	<u>Primary Purpose of Issue</u>
Parish of East Baton Rouge:		
Road and Street Sales Tax Revenue Bonds:		
Senior Lien:		
\$ 93,440,000; Series 2008A	\$ 88,875,000	Road and Street Capital Improvements Program
\$110,000,000; Series 2009A	24,195,000	Road and Street Capital Improvements Program
\$ 59,430,000; Series 2015	<u>59,430,000</u>	Advance refunding parity bond issue
Total	<u>\$172,500,000</u>	
Subordinate Lien:		
\$ 33,585,000; Series 2012 LCDA	\$ 26,765,000	Road and Street Capital Improvements Program
\$ 34,415,000; Series 2015 LCDA	<u>32,965,000</u>	Road and Street Capital Improvements Program
Total	<u>\$ 59,730,000</u>	

Highest Annual Debt Service on Outstanding Bonds was calculated using the fixed SWAP rate for the 2008A Variable Rate Bonds.

10. East Baton Rouge Sewerage Commission Bonds

In April 1988, the general electorate authorized an additional parish-wide one-half percent sales and use tax specifically for sewerage purposes. The Parish of East Baton Rouge is authorized to issue debt secured by this additional one-half percent sewer sales tax for the purpose of constructing sewerage related capital improvements, advance refunding outstanding parity bond issues when market rates make it advantageous, providing a debt service reserve for each respective issue, and paying the issuance costs thereof.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

10. East Baton Rouge Sewerage Commission Bonds (Continued)

In the Fifth Amendatory Intergovernmental Agreement between the City of Baton Rouge, the Parish of East Baton Rouge, and the Greater Baton Rouge Consolidated Sewerage district, the Parish pledged the Sales Tax Revenues as security for and for the payment of debt service on the revenue bonds to be issued by the East Baton Rouge Sewerage Commission under the Agreement.

Louisiana Revised Statute 39:1430(A) requires that the annual debt service of revenue bonds secured by sales tax revenues may not be in excess of seventy-five percent (75%) of the amount of sales tax revenues estimated by the governing authority to be received by it in the calendar year in which the bonds are issued, plus additional funds made available from Sewer User Fees.

Anticipated sales tax revenues based on 2017 annual operating budget	<u>\$ 45,559,650</u>
Debt Capacity Before Outstanding Senior Lien Bonds (75%)	34,169,738
Less: Sales Tax Collection Costs (based on 2017 budget)	<u>(500,000)</u>
Sales Tax Revenue Pledged for E.B.R. Sewerage Commission Revenue Bonds	\$ 33,669,738
Budgeted 2017 Sewer User Fees and Other Revenues	84,881,070
Less: Operating and Maintenance Expense	<u>(49,907,310)</u>
Debt Capacity Before Outstanding Bonds	68,643,498
Highest Annual Debt Service on Outstanding Senior Lien Bonds (Net of Build America Bonds Direct Subsidy Payment)	<u>(61,470,733)</u>
Debt Capacity	\$ 7,172,765
Interest factor for \$1 of debt, 4.5%, 35 year	0.057270448
Additional Senior Lien Bond Capacity (35 Years at 4.5%)	<u>\$125,243,738</u>
Additional Sales Tax Revenues available for Subordinate Lien Debt (Remaining 25%)	\$ 11,389,912
Debt Capacity available after satisfying Senior Lien Bonds	7,172,765
2017 Debt Service on Outstanding Subordinate Lien Debt (Net of Capitalized Interest)	<u>(15,727,475)</u>
Balance Available for Capital Improvement Programs	<u>\$ 2,835,202</u>

<u>Bond Issue</u>	<u>Outstanding 12/31/2016</u>	<u>Primary Purpose of Issue</u>
East Baton Rouge Sewerage Commission:		
Senior Lien:		
\$ 8,300,000; Series 2010 DEQ	6,765,000	Sewerage Capital Improvements Program
\$357,840,000; Series 2010B BABs	350,605,000	Sewerage Capital Improvements Program
\$202,500,000; Series 2011A (LIBOR Index)	184,505,000	Sewerage Capital Improvements Program
\$ 45,000,000; Series 2013A DEQ	28,900,128	Sewerage Capital Improvements Program
\$ 25,390,000; Series 2013B	22,905,000	Sewerage Capital Improvements Program
\$127,455,000; Series 2014A	127,455,000	Sewerage Capital Improvements Program
\$205,435,000; Series 2014B	205,435,000	Sewerage Capital Improvements Program
\$ 20,000,000; Series 2015A DEQ	135,947	Sewerage Capital Improvements Program
\$ 12,000,000; Series 2016A DEQ	99,950	Sewerage Capital Improvements Program
Total	<u>\$926,806,025</u>	
Subordinate Lien:		
\$126,260,000; Series 2013A LCDA	126,260,000	Sewerage Capital Improvements Program
\$ 92,500,000; Series 2013B LCDA(LIBOR Index)	92,500,000	Sewerage Capital Improvements Program
\$209,785,000; Series 2014A LCDA	209,785,000	Sewerage Capital Improvements Program
	<u>\$428,545,000</u>	

11. Derivative Instruments

Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires derivative instruments (such as interest rate swap agreements) to be reported at fair value in the financial statements.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

As of December 31, 2016, the swap agreements can be summarized as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at December 31, 2016 *</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<u>Governmental Activities:</u>					
Cash Flow Hedges:					
Pay-fixed; receive variable interest rate swaps	Deferred outflows on derivative instruments	\$ (2,757,780)	Non-current liability	\$ (16,803,475)	\$ 87,755,000
	Amortization of off-market swap	(562,583)			
<u>Business-Type Activities:</u>					
Cash Flow Hedges:					
Pay-fixed; receive variable interest rate swaps	Deferred outflows on derivative instruments	(10,766,690)	Derivative instrument liability	(81,685,519)	277,005,000
	Amortization of off-market swap	(2,296,395)	Obligation Payable	(41,356,912)	

* Fair value at December 31, 2016, was determined by an independent third party using Level 2 inputs, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. (Application of the new standard to the note disclosure for the fiscal year ending December 31, 2015, was not practical, therefore a comparative note is not presented.)

Terms and Objectives of Hedging Derivative Instruments

<u>Type</u>	<u>Notional</u>	<u>Objective</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating*</u>
<u>Governmental Activities:</u>						
Cash Flow Hedges:						
Pay-fixed; receive variable interest rate swap	\$43,877,500	to lower borrowing costs on the Rd & Str Series 2006 Bonds	5/3/2006	8/1/2030	Pay 4.072%; Receive 70% of 1 month USD-LIBOR	A1 / A+ / A+
Pay-fixed; receive variable interest rate swap	43,877,500	to lower borrowing costs on the Rd & Str Series 2006 Bonds	5/3/2006	8/1/2030	Pay 4.072%; Receive 70% of 1-month USD-LIBOR	A1 / A+ / A+
<u>Business-Type Activities:</u>						
Cash Flow Hedge:						
Pay-fixed; receive variable interest rate swap	92,500,000	to lower borrowing costs on the Series 2011A East Baton Rouge Sewerage Commission (LIBOR Index) Bonds	8/1/2011	2/1/2046	Pay 4.149%; Receive 70% of 1-month USD-LIBOR	A1 / A+ / A+
Pay-fixed; receive variable interest rate swap	92,500,000	to protect against the potential of higher future interest rates in connection with anticipated issuance of bonds	8/1/2013	2/1/2049	Pay 4.525%; Receive 70% of 1-month USD-LIBOR	Baa2 / BBB+ / A-
Pay-fixed; receive variable interest rate swap	92,005,000	to lower borrowing costs on the Series 2011A East Baton Rouge Sewerage Commission (LIBOR Index) Bonds	8/1/2011	2/1/2032	Pay 4.945%; Receive 70% of 1-month USD-LIBOR	Baa2 / BBB+ / A-

*Credit ratings - Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

a. Governmental Activities

Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective May 3, 2006

As a means to lower the Parish's borrowing costs, when compared against fixed-rate bonds at the time of issuance in May 2006, the Parish entered into two separate but substantially identical interest rate swaps with Citibank, N.A., New York (\$46,120,000 notional amount) and Merrill Lynch Capital Services, Inc. (\$46,120,000 notional amount) (collectively, the "Counterparties") in connection with its \$92,240,000 Variable Rate Road and Street Improvement Sales Tax Revenue Bonds, Series 2006B. The intention of the swap agreements was to effectively change the Parish's interest rate on the 2006B Bonds to a synthetic fixed rate of 4.072%, excluding liquidity, remarketing, and other fees associated with the Bonds. Under the terms of the swap agreements effective May 3, 2006, the Parish pays a fixed rate of 4.072% and the Swap Counterparties will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA. Financial Guaranty Insurance Company (FGIC) provided a municipal bond insurance policy for the Series 2006B Bonds. FGIC was downgraded by the rating agencies and, as a result, the variable interest rate on the Series 2006B Bonds increased significantly and was at a rate that was unacceptable to the Parish. To remedy the situation, the Parish decided to replace FGIC with a letter of credit. The only way to affect the change in the municipal bond insurer was to issue refunding bonds. On April 17, 2008, the Parish of East Baton Rouge issued \$93,440,000 Variable Rate Road and Street Improvement Sales Tax Revenue Refunding Bonds, Series 2008A to current refund the Parish's Road and Street Improvement Sales Tax Revenue Bonds, Series 2006B. The Swap Agreements entered into to hedge exposure to variable interest rates on the Series 2006B Bonds, remained in place and were amended to relate to the Series 2008A Bonds. GASB 53 guidance requires that this transaction be treated and reported as a termination of the original swaps and the execution of new swaps. The new swaps are considered off-market swaps because the fixed rate of each swap is higher than the at-the-market rate for a similar swap on the date of the deemed termination. The off-market swaps consist of an imputed at-the-market swap with Citibank at a fixed rate of 3.325%, an imputed at-the-market swap with Merrill Lynch at a fixed rate of 3.253% and above-market swaps with each counterparty. The above-market swaps are treated as imputed borrowings and accrue interest over the life of the swaps. The imputed borrowing amount for each swap is equal to the fair value of the swap on the date of the deemed termination of the original swap. The remaining balance of the Series 2008A Bonds, specifically \$1,200,000 will not be hedged by the Swap Agreements. The bonds and the related swap agreements mature on August 1, 2030. Settlement payments on these swaps are made semiannually corresponding with the interest payment dates of the related bonds. As of December 31, 2016, the swaps had a combined negative fair value of \$16,803,475. This mark-to-market valuation was established by market quotations obtained by the Counterparties and separately verified by an independent third party. The valuation represents estimates of the amounts that would be paid or received for replacement transactions. As of December 31, 2016, the Parish determined that these swaps successfully meet the criteria for effectiveness. Accordingly, the fair value of the swaps are recorded as non-current liability and the change in fair value is recorded as deferred outflows on derivative instruments and a reduction in the off-market swap recorded as a non-current liability, both on the entity-wide Statement of Net Position.

As of December 31, 2016, the Parish was not exposed to credit risk on the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the Parish would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements require collateral to be posted in varying amounts depending on the counterparties credit rating. No collateral has been required to date.

The Parish will receive from the counterparties 70% of one-month USD-LIBOR-BBA and will pay the bond rate to its bondholders set by the remarketing agent. The Parish is exposed to basis risk when its Series 2008A Bonds trade at a yield which exceeds 70% of one-month USD-LIBOR-BBA. At December 31, 2016, the variable rate on the bonds was 0.75% and 70% of one-month USD-LIBOR-BBA was 0.53%. When the Series 2008A Bonds trade higher than 70% of one-month USD-LIBOR-BBA, the Parish will experience an increase in debt service above the fixed rate on the swap agreements.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

a. Governmental Activities (Continued)

Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective May 3, 2006 (Continued)

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and rating downgrade. Either party may terminate the swap if the other party fails to perform under the terms of the contract. If either swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Parish would be liable to the counterparty for a payment equal to the swap's fair value.

Using interest rates as of December 31, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending December 31	Variable-Rate Bonds		Citibank	Merrill Lynch	Total
	Principal	Interest*	Interest Rate Swap, Net**	Interest Rate Swap, Net***	
2017	\$ 4,790,000	\$ 651,504	\$1,194,617	\$1,163,731	\$ 7,799,852
2018	4,990,000	614,950	1,127,875	1,098,715	7,831,540
2019	5,200,000	576,865	1,058,291	1,030,930	7,866,086
2020	5,445,000	538,613	985,039	959,559	7,928,211
2021	5,645,000	495,628	909,718	886,198	7,936,544
2022 - 2026	32,000,000	1,795,954	3,296,632	3,211,396	40,303,982
2027 - 2030	<u>30,805,000</u>	<u>493,251</u>	<u>906,674</u>	<u>883,233</u>	<u>33,088,158</u>
Total	<u>\$88,875,000</u>	<u>\$5,166,765</u>	<u>\$9,478,846</u>	<u>\$9,233,762</u>	<u>\$112,754,373</u>

* Computed using 12/31/16 variable rate (0.75%)

** Computed using (imputed fixed swap rate (3.325%) - 70% of 12/31/16 LIBOR (0.53%)) x (\$46,120,000 - annual reduction)

*** Computed using (imputed fixed swap rate (3.253%) - 70% of 12/31/16 LIBOR (0.53%)) x (\$46,120,000 - annual reduction)

The imputed borrowings, required by GASB Statement No. 53, associated with the refunding in 2008, resulted in an obligation payable listed as a non-current liability on the entity-wide Statement of Net Position for governmental activities. Scheduled maturities and interest on the imputed borrowings are as follows:

Fiscal Year Ending December 31	Imputed borrowing Citibank		Imputed borrowing Merrill Lynch		Total
	Principal	Interest	Principal	Interest	
2017	\$ 275,629	\$ 52,136	\$ 268,786	\$90,572	\$ 687,123
2018	264,173	46,000	259,758	80,310	650,241
2019	251,708	40,126	249,555	70,409	611,798
2020	238,172	34,540	238,085	60,911	571,708
2021	223,409	29,264	225,158	51,869	529,700
2022 - 2026	853,550	79,959	879,936	143,548	1,956,993
2027 - 2030	<u>279,421</u>	<u>11,213</u>	<u>298,079</u>	<u>20,574</u>	<u>609,287</u>
	<u>\$2,386,062</u>	<u>\$293,238</u>	<u>\$2,419,357</u>	<u>\$518,193</u>	<u>\$5,616,850</u>

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities

1. Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective August 1, 2011

In order to protect against the potential of higher future interest rates, the Parish entered into \$110,000,000 notional amount interest rate swaps dated July 26, 2006. The Parish determined that it would not issue variable rate obligations and decided to transfer by novation to the East Baton Rouge Sewerage Commission all rights, liabilities, duties, and obligations of the Parish under and in respect of the original hedge agreement. On August 27, 2009, the Parish, the East Baton Rouge Sewerage Commission and Deutsche Bank (the "Counterparty") entered into a novation agreement to remove the Parish as the hedge counterparty. The resulting agreement between the East Baton Rouge Sewerage Commission and Deutsche Bank has an effective date of August 1, 2011, and a maturity date of August 1, 2032. Under the terms of the swap agreement the Sewerage Commission will pay a fixed rate of 4.945% and the counterparty will pay a variable rate based upon an index of 70% of three-month USD-LIBOR-BBA. GASB Statement No. 53 guidance required that this transaction be treated and reported as a hybrid instrument consisting of an imputed at-the-market swap and a borrowing equal to the fair value of the swap on the date of the novation.

On July 28, 2011, the Sewerage Commission issued \$202,500,000 Revenue Bonds Series 2011A (LIBOR Index). The Deutsche Bank swap agreement will provide for the payment of a synthetic fixed rate with respect to \$110,000,000 of the Series 2011A Bonds. On August 17, 2011, the agreement with Deutsche Bank was revised to correspond with the terms of the Series 2011A Bonds. The counterparty will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA and the maturity date was moved from August 1, 2032, to February 1, 2032. GASB Statement No. 53 guidance requires that this transaction be treated and reported as a termination of the original swap and the execution of a new swap. The new swap is considered an off-market swap because the fixed rate of the swap is higher than the at-the-market rate for a similar swap on the date of the deemed termination. The off-market swap consists of an imputed at-the-market swap at a fixed rate of 2.332%, and an above-market swap. The above market swap is treated as an imputed borrowing and accrues interest over the life of the swap. The imputed borrowing amount is equal to the fair value of the swap on the date of the deemed termination of the original swap. Settlement payments on the swap are made semiannually corresponding with the semiannual payments on the related bonds.

As of December 31, 2016, the swap had a negative fair value of \$25,422,336. This mark-to-market valuation was established by market quotations obtained by the counterparty and separately verified by an independent third party. The valuation represents estimates of the amounts that would be paid or received for replacement transactions. As of December 31, 2016, the Sewerage Commission determined that this swap successfully met the criteria for effectiveness. The change in fair value is recorded as deferred outflows on derivative instruments on the Statement of Net Position for the Comprehensive Sewerage System Fund. The fair value of the swap is reported as derivative instrument liability and obligation payable on the Statement of Net Position for the Comprehensive Sewerage System.

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities (Continued)

1. Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective August 1, 2011 (Continued)

In order to protect against the potential of higher interest rates, the East Baton Rouge Sewerage Commission entered into a \$92,500,000 notional amount interest rate swap with Merrill Lynch Capital Services, Inc. dated July 26, 2006. On April 21, 2011, Merrill Lynch transferred by novation to Bank of America, National Association (the "Counterparty"), all the rights, liabilities, duties and obligations under and in respect of the original hedge agreement creating a new agreement with identical terms. Under the terms of the swap agreement, the Commission will pay a fixed rate of 4.149% and the swap counterparty will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA.

On July 28, 2011, the Sewerage Commission issued \$202,500,000 Revenue Bonds Series 2011A (LIBOR Index). The Deutsche Bank swap agreement previously mentioned will provide for the payment of a synthetic fixed rate with respect to \$110,000,000 of these bonds and the Bank of America swap agreement will provide for the payment of a synthetic fixed rate with respect to the remaining \$92,500,000 of the Series 2011A Bonds. The notional amounts of the Bank of America swap correspond with the maturity schedule of the Bonds with a final maturity date of February 1, 2046. Settlement payments on the swap are made semiannually corresponding with the semiannual payments on the related bonds.

As of December 31, 2016, this swap had a negative fair value of \$39,876,768. This mark to market valuation was established by market quotations obtained by the counterparty and separately verified by an independent third party. The valuation represents estimates of the amounts that would be paid or received for replacement transactions. As of December 31, 2016, the Sewerage Commission determined that this swap successfully met the criteria for effectiveness. Accordingly, the Comprehensive Sewerage System Fund reports the change in fair value as deferred outflows on derivative instruments on the Statement of Net Position. The fair value of the swap is reported as derivative instrument liability on the Statement of Net Position for the Comprehensive Sewerage System.

As of December 31, 2016, the Sewerage Commission was not exposed to credit risk on these swaps because the swaps each had negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Sewerage Commission would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements require collateral to be posted in varying amounts depending on the counterparties credit rating. At December 31, 2016, collateral of \$2,000,000 and \$25,000,000 was posted with Deutsche Bank and Bank of America Merrill Lynch.

Since the Sewerage Commission will receive from the counterparties 70% of one-month USD-LIBOR-BBA and will pay 70% of one-month LIBOR plus a fixed spread to its bondholders, there is no basis risk associated with these transactions.

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and rating downgrade. Either party may terminate the swap if the other party fails to perform under the terms of the contract. If either swap is terminated, the anticipated variable-rate bonds would not carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Sewerage Commission would be liable to the counterparty for a payment equal to the swap's fair value.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities (Continued)

1. Multiple Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective August 1, 2011 (Continued)

Using interest rates as of December 31, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending December 31	Variable-Rate Bonds		Deutsche Interest Rate Swap, Net**	Bank of America Interest Rate Swap, Net***	Total
	Principal	Interest*			
2017	\$ 4,085,000	\$ 1,866,919	\$ 1,629,067	\$ 3,338,162	\$ 10,919,148
2018	4,265,000	1,823,029	1,555,011	3,338,162	10,981,202
2019	4,450,000	1,777,233	1,477,707	3,338,162	11,043,102
2020	4,645,000	1,734,159	1,395,936	3,336,793	11,111,888
2021	4,850,000	1,679,522	1,312,831	3,338,162	11,180,515
2022 - 2026	27,640,000	7,573,028	5,164,963	16,689,439	57,067,430
2027 - 2031	34,285,000	5,950,762	2,518,718	17,968,714	60,723,194
2032 - 2036	14,600,000	4,724,058	102,330	19,755,105	39,181,493
2037 - 2041	38,535,000	3,298,120	--	14,500,203	56,333,323
2042 - 2046	47,150,000	1,055,181	--	5,338,327	53,543,508
Total	<u>\$184,505,000</u>	<u>\$31,482,011</u>	<u>\$15,156,563</u>	<u>\$90,941,229</u>	<u>\$322,084,803</u>

* Computed using (70% of 12/31/16 LIBOR (0.53%) + fixed spread of 0.50%)

** Computed using (imputed fixed swap rate (2.332%) - 70% of 12/31/16 LIBOR (0.53%)) x (\$110,000,000 - annual reduction)

*** Computed using (fixed swap rate (4.149%) - 70% of 12/31/16 LIBOR (0.53%)) x (\$92,500,000 - annual reduction)

The imputed borrowing with Deutsche Bank, required by GASB Statement No. 53, associated with the deemed termination in August 2011, is recorded as an obligation payable on the Statement of Net Position for the Comprehensive Sewerage System Fund. Scheduled maturities and interest on the imputed borrowing is as follows:

Fiscal Year Ending December 31	Imputed borrowing Deutsche Bank		
	Principal	Interest	Total
2017	\$ 1,930,001	\$ 420,719	\$ 2,350,720
2018	1,864,909	376,717	2,241,626
2019	1,793,518	334,247	2,127,765
2020	1,715,484	293,456	2,008,940
2021	1,630,390	254,497	1,884,887
2022 - 2026	6,600,189	764,292	7,364,481
2027 - 2031	3,162,441	171,418	3,333,859
2032	100,557	1,156	101,713
	<u>\$18,797,489</u>	<u>\$2,616,502</u>	<u>\$21,413,991</u>

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities (Continued)

2. Pay-Fixed, Receive-Variable Interest Rate Forward Swap Agreements effective August 1, 2013

In order to protect against the potential of higher future interest rates in connection with its anticipated issuance of Variable Rate debt, the East Baton Rouge Sewerage Commission entered into an interest rate swap with Citibank, N.A., New York (\$92,500,000 notional amount) dated July 26, 2006. The intention of the swap agreement was to effectively change the Commission's interest rate on future variable rate debt to a synthetic fixed rate. The anticipated debt is expected to be structured with a maturity date which corresponds with the related swap agreements. The notional amount of the swap was structured to correspond with the anticipated maturity schedule of the future debt. Settlement payments on the swap will be made semiannually corresponding with the interest payment dates of the related debt.

On July 27, 2011, the Sewerage Commission, Citibank and Deutsche Bank entered into a novation agreement to remove Citibank as the hedge counterparty. The resulting agreement between the Sewerage Commission and Deutsche Bank has an effective date of August 1, 2013, and a maturity date of February 1, 2049. Deutsche Bank paid a novation fee to Citibank on behalf of the Sewerage Commission of \$21,920,000. Under the terms of the swap agreement the Sewerage Commission will pay a fixed rate of 4.525% and the counterparty will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA. GASB Statement No. 53 guidance requires that this transaction be treated and reported as a hybrid instrument consisting of an imputed at-the-market swap and a borrowing equal to the \$21,920,000 payment made on behalf of the Commission. The imputed borrowing accrues interest over the life of the swap.

On May 9, 2013, the Sewerage Commission issued \$92,500,000 Subordinate Lien Revenue Bonds (EBROSCO Projects), Series 2013B (LIBOR Index). The Deutsche Bank swap agreement will provide for the payment of a synthetic fixed rate with respect to the Series 2013B Bonds. The notional payments of the Deutsche Bank swap correspond with the maturity schedule of the bonds with a final maturity date of February 1, 2049. Settlement payments on the swap are made semiannually corresponding with the semiannual payments on the related bonds.

As of December 31, 2016, the swap had a negative fair value of \$57,743,327. This mark-to-market valuation was established by market quotations obtained by the Counterparty and separately verified by an independent third party. The valuation represents estimates of the amounts that would be paid or received for replacement transactions. As of December 31, 2016, the Sewerage Commission determined that this swap successfully met the criteria for effectiveness. The change in fair value is recorded as deferred outflows on derivative instruments on the Statement of Net Position for the Comprehensive Sewerage System Fund. The fair value of the swap is reported as derivative instrument liability and obligation payable on the Statement of Net Position for the Comprehensive Sewerage System Fund.

As of December 31, 2016, the Commission was not exposed to credit risk on the swap because the swap had negative fair value. However, should interest rates change and the fair value of the swap become positive, the Commission would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreement requires collateral to be posted in varying amounts depending on the counterparties credit rating. At December 31, 2016, collateral of \$38,000,000 was posted with Deutsche Bank.

The Commission will receive from the counterparties 70% of one-month USD-LIBOR-BBA and will pay a variable rate on its future debt. The Commission will be exposed to basis risk when its future variable rate debt trades at a yield which exceeds 70% of one-month USD-LIBOR-BBA. Should the future debt trade higher than 70% of one-month USD-LIBOR-BBA, the Commission will experience an increase in debt service above the fixed rate on the forward swap agreement.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities (Continued)

2. Pay-Fixed, Receive-Variable Interest Rate Forward Swap Agreements effective August 1, 2013 (Continued)

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and rating downgrade. Either party may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the anticipated variable-rate debt would not carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Commission would be liable to the counterparty for a payment equal to the swap's fair value.

Using interest rates as of December 31, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Year Ending</u> <u>December 31</u>	<u>Variable-Rate Bonds</u>		<u>Deutsche</u> <u>Interest Rate</u> <u>Swap, Net**</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest*</u>		
2017	\$ --	\$ 1,140,319	\$ 2,268,862	\$ 3,409,181
2018	--	1,140,319	2,268,862	3,409,181
2019	--	1,140,319	2,268,862	3,409,181
2020	--	1,143,443	2,267,493	3,410,936
2021	--	1,140,319	2,268,862	3,409,181
2022 - 2026	--	5,704,718	11,342,939	17,047,657
2027 - 2031	--	5,704,718	11,342,939	17,047,657
2032 - 2036	--	5,707,842	12,725,832	18,433,674
2037 - 2041	--	5,704,718	13,650,043	19,354,761
2042 - 2046	21,660,000	5,460,377	13,378,943	40,499,320
2047 - 2049	<u>70,840,000</u>	<u>973,204</u>	<u>3,354,520</u>	<u>75,167,724</u>
Total	<u>\$92,500,000</u>	<u>\$34,960,296</u>	<u>\$77,138,157</u>	<u>\$204,598,453</u>

* Computed using (70% of 12/31/16 LIBOR (0.53%) + fixed spread of 0.70%)

** Computed using (imputed fixed swap rate (2.993%) - 70% of 12/31/16 LIBOR (0.53%)) x (\$92,500,000 - annual reduction)

The imputed borrowing with Deutsche Bank, required by GASB Statement No. 53, associated with the novation in July 2011, is recorded as an obligation payable on the Statement of Net Position for the Comprehensive Sewerage System Fund. Scheduled maturities and interest on the imputed borrowing is as follows:

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

11. Derivative Instruments (Continued)

b. Business-Type Activities (Continued)

2. Pay-Fixed, Receive-Variable Interest Rate Forward Swap Agreements effective August 1, 2013 (Continued)

Fiscal Year Ending <u>December 31</u>	Imputed borrowing Deutsche Bank		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 322,412	\$ 1,094,688	\$ 1,417,100
2018	338,305	1,078,795	1,417,100
2019	354,979	1,062,121	1,417,100
2020	372,476	1,044,624	1,417,100
2020	390,835	1,026,265	1,417,100
2022 - 2026	2,262,842	4,822,658	7,085,500
2027 - 2031	2,878,261	4,207,239	7,085,500
2032 - 2036	3,661,057	3,424,443	7,085,500
2037 - 2041	4,656,750	2,428,750	7,085,500
2042 - 2046	5,757,322	1,162,262	6,919,584
2047 - 2049	<u>1,564,184</u>	<u>94,664</u>	<u>1,658,848</u>
	<u>\$22,559,423</u>	<u>\$21,446,509</u>	<u>\$44,005,932</u>

The difference between the non-current obligation payable recorded in the Statement of Net Position for the Sewerage Commission and the combined total of the amounts reflected in the two Deutsche Bank borrowing schedules is caused by interest on the borrowing associated with the forward swap, prior to the swap's planned execution. Prior to the execution of the swap, interest on the imputed borrowing increases the obligation payable.

12. Obligations of Intragovernmental Agencies

The City and the Parish have issued debt to fund certain enterprise operations on the strength of its general operating 2% sales tax revenues. In turn, the Greater Baton Rouge Airport District signed promissory notes to the General Fund to repay the debt service. The following obligations are recorded in proprietary funds in the government-wide and fund basic financial statements. An adjustment for the outstanding debt is shown as a reduction of governmental activities long-term debt in the government-wide financial statements.

Greater Baton Rouge Airport District - 2001 Passenger Facility Charge Obligation

The Greater Baton Rouge Airport District is obligated under an Amended Intergovernmental Contract dated August 1, 2001, and the restated Passenger Facility Charge (PFC) Note of \$3,840,000 to make semi-annual payments to the City General Fund through August 2021. Total principal paid on the restated note, prior to 2016 was \$1,666,667. In 2016, a principal payment of \$348,333 reduced the obligation payable to \$1,825,000. Scheduled maturities and interest are as follows:

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

12. Obligations of Intragovernmental Agencies (Continued)

Greater Baton Rouge Airport District - 2001 Passenger Facility Charge Obligation (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 366,250	\$ 67,600	\$ 433,850
2018	383,333	54,000	437,333
2019	401,250	38,667	439,917
2020	420,417	22,617	443,034
2021	<u>253,750</u>	<u>7,612</u>	<u>261,362</u>
Total	<u>\$1,825,000</u>	<u>\$190,496</u>	<u>\$2,015,496</u>

13. Louisiana Community Development Authority Loans (LCDA)

Chapter 10-D of Title 33 of the Louisiana Revised Statutes created the Louisiana Community Development Authority for the purpose of assisting political subdivisions of the state. The LCDA issues long-term bonds and then loans the proceeds to local governments for acquiring, financing and constructing certain infrastructure facilities of local government and other economic development projects.

1. The interest rate on the City's and the Parish's LCDA loans fluctuate weekly with changes in the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. Principal and interest payments on all loans are paid monthly.

a. 1999 Program:

In 1999, the Metropolitan Council authorized the Parish to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA").

In 2011, the Parish borrowed additional funds on the 1999 LCDA program to provide funds to the Lighthouse for the Blind, in order to purchase property for a paper cup manufacturing and training facility. A total of \$1,500,000 has been loaned to the Parish at December 31, 2016. A total of \$1,214,286 has been repaid, leaving an outstanding debt balance of \$285,714. Future debt service is budgeted over a 2 year period at 2.07%. This loan is serviced by the Excess Revenue and Limited Tax Debt Service Fund and is shown as a governmental activities debt in the entity-wide Statement of Net Position. The Lighthouse for the Blind is reimbursing the City for a portion of these debt payments.

In 2012, the Parish borrowed additional funds on the 1999 LCDA program to provide funds to the Baton Rouge River Center, in order to provide funding for the construction of the River Center Expansion Project. A total of \$6,279,481 has been loaned to the Parish at December 31, 2016. A total of \$4,606,000 has been repaid, leaving an outstanding debt balance of \$1,673,481. Future debt service is budgeted over a 2 year period at 2.07%. This loan is serviced and recorded in the Baton Rouge River Center Nonmajor Enterprise Fund.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

13. Louisiana Community Development Authority Loans (LCDA) (Continued)

1. City and the Parish LCDA loans (Continued)

a. 1999 Program (Continued):

In 2012, the Parish borrowed additional funds on the 1999 LCDA program to provide funds to the Baton Rouge River Center, in order to provide funding for the Riverfront Master Plan Project. A total of \$1,500,000 has been loaned to the Parish at December 31, 2016. A total of \$667,500 has been repaid, leaving an outstanding debt balance of \$832,500. Future debt service is budgeted over a 2 year period at 2.07%. This loan is serviced and recorded in the Baton Rouge River Center Nonmajor Enterprise Fund.

b. 2000A Program:

In 2008, the City borrowed additional funds on the 2000A LCDA program to provide funds to Visit Baton Rouge, in order to finance the costs of renovating, equipping and improving the new headquarters building. A total of \$750,000 has been loaned to the City at December 31, 2016. A total of \$202,400 has been repaid, leaving an outstanding debt balance of \$547,600. Future debt service is budgeted over a 13 year period at 2.27%. This loan is serviced by the Excess Revenue and Limited Tax Debt Service Fund and is shown as a governmental activities debt in the entity-wide Statement of Net Position. Visit Baton Rouge is reimbursing the City for these debt payments.

In 2012, the Parish borrowed additional funds on the 1999 LCDA program to provide funds to the Pride Fire Protection District, in order to purchase a fire truck and related equipment. A total of \$264,713 has been loaned to the Parish at December 31, 2016. A total of \$46,600 has been repaid, leaving an outstanding debt balance of \$218,113. Future debt service is budgeted over a 13 year period at 2.27%. This loan is serviced by the Pride Fire Protection District Fund and is shown as a governmental activities debt in the entity-wide Statement of Net Position.

2. In 2012, LCDA issued \$33,585,000 Revenue Bonds (Parish of East Baton Rouge Road Improvements Project). The proceeds of the bonds were loaned by LCDA to the Parish of East Baton Rouge pursuant to a Loan Agreement, to finance the construction of new public roads and streets and/or the widening of existing public roads and streets within the Parish. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of seventy percent (70%) of the net proceeds of the ½% Road and Street Sales Tax. If these pledged revenues are insufficient, payments will be made from lawfully available funds of the City-Parish. This loan is serviced by the LCDA Road and Street Improvement Project Debt Service Fund and is shown as a governmental activities debt in the entity-wide Statement of Net Position. As of December 31, 2016, \$6,820,000 has been repaid, leaving an outstanding debt balance of \$26,765,000.

3. In 2013, LCDA issued \$126,260,000 Subordinate Lien Revenue Bonds (East Baton Rouge Sewerage Commission Projects), Series 2013A. The proceeds of the bonds were loaned by LCDA to the East Baton Rouge Sewerage Commission pursuant to a Loan Agreement, to finance the cost of upgrading, rehabilitating, improving and extending the sewerage disposal system and to fund capitalized interest on the bonds and a reserve fund. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of Pledged Revenues of the Commission which consists of Sewer User Fees and one-half of one percent (½%) sewer sales and use tax. This loan is serviced and recorded in the Comprehensive Sewerage System Fund. As of December 31, 2016, the outstanding debt balance is \$126,260,000.

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

13. Louisiana Community Development Authority Loans (LCDA) (Continued)

4. In 2013, LCDA issued \$92,500,000 Subordinate Lien Revenue Bonds (East Baton Rouge Sewerage Commission Projects), Series 2013B (LIBOR Index). The proceeds of the bonds were loaned by LCDA to the East Baton Rouge Sewerage Commission pursuant to a Loan Agreement, to finance the cost of upgrading, rehabilitating, improving and extending the sewerage disposal system and to fund a reserve fund. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of Pledged Revenues of the Commission which consists of Sewer User Fees and one-half of one percent (½%) sewer sales and use tax. This loan is serviced and recorded in the Comprehensive Sewerage System Fund. As of December 31, 2016, the outstanding debt balance is \$92,500,000.
5. In 2014, LCDA issued \$209,785,000 Subordinate Lien Revenue Bonds (East Baton Rouge Sewerage Commission Projects), Series 2014A. The proceeds of the bonds were loaned by LCDA to the East Baton Rouge Sewerage Commission pursuant to a Loan Agreement, to finance the cost of upgrading, rehabilitating, improving and extending the sewerage disposal system and to fund a reserve fund. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of Pledged Revenues of the Commission which consists of Sewer User Fees and one-half of one percent (½%) sewer sales and use tax. This loan is serviced and recorded in the comprehensive Sewerage System Fund. As of December 31, 2016, the outstanding debt balance is \$209,785,000.
6. In 2015, LCDA issued \$34,415,000 Revenue Bonds (Parish of East Baton Rouge Road Improvements Project), Series 2015. The proceeds of the bonds were loaned by LCDA to the Parish of East Baton Rouge pursuant to a Loan Agreement, to finance the construction of new public roads and streets and/or the widening of existing public roads and streets within the Parish. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of seventy percent (70%) of the net proceeds of the ½% Road and Street Sales Tax. If these pledged revenues are insufficient, payments will be made from lawfully available funds of the City-Parish. This loan is serviced by the LCDA Road and Street Improvement Project Debt Service Fund and is shown as a governmental activities debt in the entity-wide Statement of Net Position. As of December 31, 2016, a total of \$1,450,000 has been repaid, leaving an outstanding debt balance of \$32,965,000.

14. Build America Bonds

On May 27, 2010, the East Baton Rouge Sewerage Commission issued Series 2010B (Taxable Direct Pay Build America) Bonds in the amount of \$357,840,000 as a combination of serial and term bonds that mature on February 1 of each year beginning 2015, through 2045, with interest from 2.973 - 6.087 percent. The Commission has elected to treat the Series 2010B Bonds as “Build America Bonds” and has further elected to receive cash subsidy payments from the United States Department of the Treasury. The Commission expects to receive cash subsidy payments directly from the U.S. Department of the Treasury in an amount equal to thirty-five percent (35%) of the interest paid on the Series 2010B Bonds. Federal Subsidy on debt of \$6,776,839 is recognized in 2016, on the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Sewerage Commission.

Due to Federal Government sequestration in March 2013, the Office of Management and Budget reduced the federal subsidy on certain qualified bonds including Build America Bonds. Refund payments processed after October 1, 2015, were reduced by 6.8%, and refund payments after October 1, 2016, were reduced by 6.9%. The sequestration reduction rate is subject to change. The current sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester.

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

15. Governmental Funds Taxable Bonds

In 2000, the City of Baton Rouge entered into a merger agreement with the State Municipal Police Employees' Retirement System (MPERS) effective February 26, 2000. The City offered a voluntary transfer to City law enforcement employees that qualified to enter into the State system. The City signed a long-term note with MPERS in the amount of \$72,738,769. The 30 year note amount represented 60% of the initial merger liability for transferred police officer MPERS retirement benefits on February 26, 2000. The note bore interest at 7% per annum. Principal and interest were payable on the first day of each calendar quarter. During 2002, the note was entirely retired by the following two transactions.

On May 17, 2002, the City of Baton Rouge issued variable rate taxable bonds in the amount of \$25,900,000, to refund one-third of the MPERS Note and to retire \$1,840,463 of an outstanding legal judgment attributable to the City-Parish Employees Retirement System (CPERS). These variable-rate bonds were converted to a fixed rate in accordance with provisions provided in the original issue on March 6, 2003. The fixed-rate bonds were payable at a true interest cost of 5.65% over a 27 year period with final maturity on January 15, 2029. The debt service was funded in the Taxable Refunding Bonds Debt Service Fund budget via transfers from the General Fund.

On October 1, 2002, the City of Baton Rouge issued \$47,550,000 in fixed rate taxable bonds with a true interest cost of 5.73% to refund the remaining two-thirds of the MPERS note. These fixed rate taxable bonds were payable at a net interest cost of 5.73% over a 27 year period with final maturity on January 15, 2029. The debt service was funded in the Taxable Refunding Bonds Debt Service Fund budget via transfers from the General Fund.

Prior-Year Refunding-Governmental Activities:

On April 4, 2012, the City of Baton Rouge issued \$58,075,000 Taxable Refunding Bonds, Series 2012 for the purpose of advance refunding the Series 2002A and Series 2002B Taxable Bonds maturing January 15, 2018 through 2029 and paying the costs of issuance. The Bonds were issued as a combination of serial and term bonds that mature on July 15, 2012, and January 15 of each year beginning 2013 through 2029 with interest from 0.42 - 4.57 percent. As a result of the refunding, the City-Parish recognized a deferred loss on refunding of \$4,711,175 on the entity-wide financial statements. As of December 31, 2016, \$2,010,258 of the Deferred amount on refunding was amortized (\$410,755 in 2016 and \$1,599,503 in prior years), resulting in a deferred amount on refunding of \$2,700,917 on the entity-wide statement of net position for governmental activities as of December 31, 2016.

16. Prior Year Refundings - Advance Refundings

On May 14, 2009, the Parish of East Baton Rouge issued \$164,965,000 of Revenue Bonds (East Baton Rouge Sewerage Commission) Series 2009A to provide sufficient funds to finance a portion of the cost of upgrading, rehabilitating, extending and improving the sewer system. During 2014, the Parish defeased the maturities from February 1, 2016, through February 1, 2019, by placing funds into an irrevocable escrow trust account with an escrow agent to provide for debt service payments on these maturities. Accordingly, the escrow trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. On December 31, 2016, \$7,585,000 of Sewerage Commission Series 2009A Bonds Outstanding are considered defeased.

On February 12, 2009, the Parish of East Baton Rouge issued \$110,000,000 of Road and Street Improvement Sales Tax Revenue Bonds, Series 2009A to provide sufficient funds to finance the costs of widening existing public roads and streets, and/or the construction of new public roads and streets. During 2015, the Parish defeased the maturities from August 1, 2022, through August 1, 2030, by placing funds into an irrevocable escrow trust account with an escrow agent to provide for debt service payments on these maturities. Accordingly, the new escrow trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. On December 31, 2016, \$59,695,000 of Road and Street Series 2009A Bonds Outstanding are considered defeased.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

17. Refunding of Series 2008A-2 Bonds and Series 2005B (Taxable) Revenue Bonds

On April 28, 2016, the City of Baton Rouge issued \$40,765,000 Public Improvement Sales Tax Revenue Refunding Bonds, Series 2016A-1 to advance refund a portion of the City's \$47.205 million Series 2008A-2 Public Improvement Sales Tax Revenue Refunding Bonds (original true interest cost 4.59%; principal refunded - \$42,610,000). The Bonds will mature on August 1 of each year beginning 2019 through 2037 with interest from 2.00 - 5.00 percent.

On April 28, 2016, the City of Baton Rouge issued \$1,315,000 (Taxable) Public Improvement Sales Tax Revenue Refunding Bonds, Series 2016A-2 to currently refund the City's \$2.1 million Series 2008B (Taxable) Public Improvement Sales Tax Revenue Bonds (original true interest cost 4.59%; principal refunded - \$1,490,000). The Bonds will mature on August 1 of each year beginning 2016 through 2029 with interest from 0.75 - 3.40 percent.

Sources and uses of the refunding issue are summarized as follows:

	<u>Series 2016A-1</u> <u>Refunding</u>	<u>Series 2016A-2</u> <u>Refunding</u>
<u>Sources:</u>		
Principal proceeds	\$ 40,765,000	\$ 1,315,000
Premium	6,128,460	--
Sinking and Reserve fund contribution	<u>324,445</u>	<u>221,333</u>
Total Sources	<u>\$47,217,905</u>	<u>\$1,536,333</u>
<u>Uses:</u>		
Deposit with escrow agent	\$46,711,199	\$ 1,518,287
Issuance costs	<u>506,706</u>	<u>18,046</u>
Total Uses	<u>\$47,217,905</u>	<u>\$ 1,536,333</u>
<u>Cash Flow Difference:</u>		
Old debt service cash flows	\$ 71,252,888	\$ 2,171,068
Less: New debt service cash flows	(64,662,268)	(1,593,844)
Less: Contribution from sinking and reserve funds	<u>(324,445)</u>	<u>(221,333)</u>
Cash Flow Difference	<u>\$ 6,266,175</u>	<u>\$ 355,891</u>
<u>Economic Gain on Refunding:</u>		
Present value of old debt service cash flows	\$ 52,461,446	\$ 1,824,033
Less: Present value of new debt service cash flows	(47,399,956)	(1,331,339)
Less: Contribution from reserve funds	<u>(324,445)</u>	<u>(221,333)</u>
Economic gain	<u>\$ 4,737,045</u>	<u>\$ 271,361</u>

As a result of the refunding, the City-Parish recognized a deferred loss on refunding of \$3,772,573 on the Series 2016A-1 bonds and \$33,926 on the Series 2016A-2 bonds. As of December 31, 2016, \$52,145 of the deferred amount on refunding was amortized, resulting in a net deferred amount on refunding of \$3,754,354 in the Greater Baton Rouge Airport District Fund as of December 31, 2016.

18. Bonds of Other Governmental Units

Bonds of the East Baton Rouge Consolidated School District and the City of Zachary are obligations of other governmental units located within the limits of the Parish of East Baton Rouge. These bonds are not included in these financial statements because they are not obligations of this governmental unit.

Bonds of the Recreation and Park Commission and the Hospital Service District No. 1 are obligations of City-Parish related organizations; however, neither the City of Baton Rouge nor East Baton Rouge Parish holds responsibility for the debt of these entities.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

a. Primary Government (Continued)

18. Bonds of Other Governmental Units (Continued)

East Baton Rouge and other surrounding parishes are situated within the limits of the Greater Baton Rouge Port Commission. Outstanding obligations of the port are secured by a pledge of the full faith and credit of East Baton Rouge Parish and other parishes in the district. However, the Supreme Court of the State of Louisiana has held that the pledge of the full faith and credit of the State comes before the pledges of the credit of the various parishes. Therefore, East Baton Rouge Parish does not have any potential liability with respect to the bonds of the port.

19. Arbitrage Liability

Section 148 of the Internal Revenue Code of 1986, as amended, requires that issuers of tax exempt debt make arbitrage calculations annually on bond issues issued after August 31, 1986, to determine whether an arbitrage rebate liability exists between the issuer and the U.S. Department of the Treasury. Arbitrage is the difference (or profit) earned from borrowing funds at tax exempt rates and investing the proceeds in higher yielding taxable securities. There are no arbitrage rebate liabilities outstanding to the U.S. Department of Treasury for City-Parish issues at December 31, 2016.

20. Conduit Debt Obligations

The Parish and Parish Special Districts have issued industrial development revenue bonds and industrial pollution control revenue bonds. These bonds are limited obligations of the Parish or District payable from revenues of the projects. The bonds are not a charge upon other income of the Parish or District, nor are they a charge against the credit or taxing power of the District, the Parish of East Baton Rouge, or the City of Baton Rouge. As of December 31, 2016, there were five conduit bond obligations outstanding, with an aggregate principal amount payable of approximately \$600,000,000.

21. Lease Commitments

City-Parish current operating leases are primarily rental agreements for land or office space. The City-Parish does not have any operating leases with scheduled rent increases. Operating lease payments during 2016 totaled \$544,136. Total future minimum rental payments of \$376,250 are due 2017 through 2018.

b. Component Units Long-Term Debt

A summary of the long-term obligations for component units of the City-Parish is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due within one year
<u>District Attorney of the Nineteenth Judicial District</u>					
Net other postemployment benefit obligation	\$ 7,842,419	\$ 1,417,814	\$ 471,324	\$ 8,788,909	\$ --
Net pension liability	<u>10,358,954</u>	<u>3,850,005</u>	<u>952,367</u>	<u>13,256,592</u>	<u>--</u>
Total	<u>18,201,373</u>	<u>5,267,819</u>	<u>1,423,691</u>	<u>22,045,501</u>	<u>--</u>
<u>Nineteenth Judicial District Court</u>					
Compensated absences payable	708,577	--	133,265	575,312	52,801
Net other postemployment benefit obligation	7,394,823	1,444,671	478,700	8,360,794	--
Net pension liability	<u>12,598,178</u>	<u>2,030,741</u>	<u>1,480,311</u>	<u>13,148,608</u>	<u>--</u>
Total	<u>20,701,578</u>	<u>3,475,412</u>	<u>2,092,276</u>	<u>22,084,714</u>	<u>52,801</u>
<u>Nineteenth Judicial District Court Building Commission</u>					
Bonds and notes payable	90,185,000	99,285,000	92,460,000	97,010,000	1,220,000
Deferred premium on bonds	<u>2,140,590</u>	<u>2,337,001</u>	<u>2,194,687</u>	<u>2,282,904</u>	<u>64,917</u>
Total	<u>92,325,590</u>	<u>101,622,001</u>	<u>94,654,687</u>	<u>99,292,904</u>	<u>1,284,917</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 10 - Long-Term Debt (Continued)

b. Component Units Long-Term Debt (Continued)

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due within one year
<u>E.B.R. Parish Family Court</u>					
Compensated absences payable	\$ 137,918	\$ --	\$ 441	\$ 137,477	\$ 10,000
Net other postemployment benefit obligation	1,219,208	161,374	--	1,380,582	--
Net pension liability	<u>1,785,254</u>	<u>958,372</u>	<u>153,380</u>	<u>2,590,246</u>	<u>--</u>
Total	<u>3,142,380</u>	<u>1,119,746</u>	<u>153,821</u>	<u>4,108,305</u>	<u>10,000</u>
<u>E.B.R. Parish Juvenile Court</u>					
Compensated absences payable	164,922	--	2,997	161,925	--
Net other postemployment benefit obligation	2,174,778	293,727	97,644	2,370,861	--
Net pension liability	<u>1,920,486</u>	<u>834,133</u>	<u>152,571</u>	<u>2,602,048</u>	<u>--</u>
Total	<u>4,260,186</u>	<u>1,127,860</u>	<u>253,212</u>	<u>5,134,834</u>	<u>--</u>
<u>E.B.R. Parish Clerk of Court</u>					
Compensated absences payable	766,692	--	92,348	674,344	--
Net other postemployment benefit obligation	3,802,430	1,428,594	1,204,624	4,026,400	--
Net pension liability	<u>10,748,977</u>	<u>2,219,768</u>	<u>1,333,081</u>	<u>11,635,664</u>	<u>--</u>
Total	<u>15,318,099</u>	<u>3,648,362</u>	<u>2,630,053</u>	<u>16,336,408</u>	<u>--</u>
<u>Capital Area Transit System</u>					
Bonds and notes payable	200,000	--	100,000	100,000	100,000
Compensated absences payable	610,310	--	254,625	355,685	142,274
Net pension liability	1,038,463	92,092	669,552	461,003	--
Obligation under capital leases	803,902	--	803,902	--	--
Claims and judgements payable	<u>1,979,403</u>	<u>1,408,052</u>	<u>1,356,502</u>	<u>2,030,953</u>	<u>612,395</u>
Total	<u>4,632,078</u>	<u>1,500,144</u>	<u>3,184,581</u>	<u>2,947,641</u>	<u>854,669</u>
Total component units long-term debt	<u>\$158,581,284</u>	<u>\$117,761,344</u>	<u>\$104,392,321</u>	<u>\$171,950,307</u>	<u>\$2,202,387</u>

NOTE 11 - Interfund and Intergovernmental Receivables and Payables

a. Balances due to/from other funds at December 31, 2016, consist of the following:

	Due From Other Funds	Due To Other Funds
<u>Temporary cash advances at December 31, 2016:</u>		
General Fund	\$ 7,646,482	\$ --
Grants Fund	3,000,000	--
Nonmajor governmental funds	--	7,646,482
Comprehensive Sewerage System Fund	--	<u>3,000,000</u>
Total temporary cash advances	<u>10,646,482</u>	<u>10,646,482</u>
<u>Other funds funding long-term improvements:</u>		
General Fund	751,937	--
Library board of control major fund	--	34,807,856
Capital Projects Fund	41,699,273	--
Nonmajor governmental funds	--	6,891,417
Greater Baton Rouge Airport District	--	<u>751,937</u>
Total receivable/payables for long-term improvements	<u>42,451,210</u>	<u>42,451,210</u>
Totals Balance Sheet	<u>\$53,097,692</u>	<u>\$53,097,692</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 11 - Interfund and Intergovernmental Receivables and Payables (Continued)

a. Balances due to/from other funds at December 31, 2016 (Continued):

Summary of balances due to/from other funds on the governmental funds balance sheet and the proprietary funds statement of net position:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds - Balance Sheet	\$53,097,692	\$49,345,755
Proprietary funds - Statement of Net Position	--	<u>3,751,937</u>
Totals	<u>\$53,097,692</u>	<u>\$53,097,692</u>

b. Due From Other Governments by governmental agencies for the Primary Government consists of the following at year-end:

	<u>Federal</u>	<u>State</u>	<u>School Board</u>	<u>Sheriff</u>	<u>Other</u>	<u>Total</u>
<u>Governmental Activities:</u>						
General Fund	\$ --	\$ 537,519	\$177,060	\$2,082,803	\$37,710	\$2,835,092
Library Board of Control	--	--	--	2,294,749	--	2,294,749
Grants Fund	4,204,421	12,309,288	--	105,525	7,670	16,626,904
Capital Projects Fund	--	1,914,902	--	--	--	1,914,902
Nonmajor governmental funds	--	251,173	--	1,860,763	--	2,111,936
<u>Business-type Activities:</u>						
Greater Baton Rouge Airport District	439,550	2,564,616	--	--	--	3,004,166
Comprehensive Sewerage System Fund	2,820,904	226,955	--	--	--	3,047,859
Solid Waste Collection and Disposal	--	--	--	25	--	25
Nonmajor enterprise funds	--	<u>1,014,199</u>	--	--	--	<u>1,014,199</u>
Totals	<u>\$7,464,875</u>	<u>\$18,818,652</u>	<u>\$177,060</u>	<u>\$6,343,865</u>	<u>\$45,380</u>	<u>\$32,849,832</u>

NOTE 12 - Interfund Transfers

a. Interfund transfers for the year ended December 31, 2016 were as follows:

	<u>Transfers Out</u>								
					<u>Greater</u>				
<u>General Fund</u>	<u>Library Board of Control</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Baton Rouge Airport District</u>	<u>Comprehensive Sewerage System Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	
Transfers In:									
<u>Governmental Activities:</u>									
General Fund	\$ --	\$ --	\$ --	\$ 90,000	\$ --	\$ --	\$ --	\$ --	\$ 90,000
Grants Fund	6,316,008	123,840	--	28,610	5,250	5,113,390	60	46,080	11,633,238
Capital Projects Fund	8,108,404	8,950,940	--	603,488	--	--	--	--	17,662,832
Nonmajor governmental funds	5,173,186	--	300,000	973,100	--	--	--	--	6,446,286

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 17
(Continued)

NOTE 12 - Interfund Transfers (Continued)

a. Interfund transfers for the year ended December 31, 2016 (Continued):

	Transfers Out								Total
					Greater				
	General Fund	Library Board of Control	Capital Projects Fund	Nonmajor Govern- mental Funds	Baton Rouge Airport District	Comprehensive Sewerage System Fund	Nonmajor Enterprise Funds	Internal Service Funds	
<u>Business-type Activities:</u>									
Greater Baton Rouge Airport									
District	\$ --	\$ --	\$ --	\$ 457,188	\$ --	\$ --	\$ --	\$ --	\$ 457,188
Solid Waste Collection and Disposal	89,644	--	--	--	--	--	--	--	89,644
Nonmajor enterprise funds	<u>1,771,000</u>	<u>--</u>	<u>43,120</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,814,120</u>
Totals	<u>\$21,458,242</u>	<u>\$9,074,780</u>	<u>\$343,120</u>	<u>\$2,152,386</u>	<u>\$5,250</u>	<u>\$5,113,390</u>	<u>\$60</u>	<u>\$46,080</u>	<u>\$38,193,308</u>

- The capital projects major fund was subsidized \$17,662,832 during 2016 toward non-recurring capital improvements from the General Fund, Library Board of Control and non-major governmental funds.
- The General Fund subsidized the normal operations of non-major governmental funds in the amount of \$338,120 in 2016.
- The General Fund subsidized the Baton Rouge River Center (non-major enterprise convention center) \$1,771,000 in 2016.
- The General Fund also transferred \$4,835,066 to service debt to non-major governmental funds in 2016.
- Non-major governmental funds transferred \$457,188 to the Greater Baton Rouge Airport District for non-recurring capital improvements.
- During 2016, \$11,633,238 was transferred to the Grants Fund from the General Fund including \$631,468 for local match and operations for grant programs and \$11,001,770 from various funds for local match on the federal grant for the 2016 flood disaster.

b. The following exchange of funds between the Primary Government and its discretely presented component units during 2016 are classified as external transactions on the Government-wide Statement of Activities:

	Operating Exchanges (To)/From Primary Government	Operating Exchanges (To)/From Component Units
<u>Primary Government:</u>		
General Fund (operating subsidies)	\$ --	\$(16,729,934)
Nonmajor Special Revenue Fund:		
Parish Transportation Fund (to Capital Area Transit-operating subsidy)	--	(550,000)
<u>Component Units:</u>		
District Attorney of the Nineteenth Judicial District	6,680,293	--
Nineteenth Judicial District Court	7,034,350	--
E.B.R. Parish Family Court	1,043,961	--
E.B.R. Parish Juvenile Court	1,325,158	--
E.B.R. Parish Clerk of Court	646,172	--
Capital Area Transit System	<u>550,000</u>	<u>--</u>
Total	<u>\$17,279,934</u>	<u>\$(17,279,934)</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 13 - Other Receivables

Receivables as of year-end for the government's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Library Board of Control <u>Fund</u>	Grants <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Internal Service <u>Funds</u>	<u>Total</u>
Governmental Activities:							
<u>Receivables:</u>							
Property taxes	\$24,395,334	\$40,506,453	\$ --	\$ --	\$29,143,807	\$ --	\$ 94,045,594
Gross receipts business taxes	4,266,506	--	--	--	--	--	4,266,506
Sales taxes	19,583,218	--	--	2,944,056	1,932,958	--	24,460,232
Interest and penalties on taxes	71,246	--	--	--	--	--	71,246
Accounts	1,758,894	--	3,023	194,015	2,198,676	14,596	4,169,204
Accrued interest	<u>158,417</u>	<u>143,074</u>	<u>15,589</u>	<u>223,877</u>	<u>139,338</u>	<u>28,015</u>	<u>708,310</u>
Gross receivables	50,233,615	40,649,527	18,612	3,361,948	33,414,779	42,611	127,721,092
Less: allowance for uncollectibles	<u>(353,015)</u>	<u>(563,942)</u>	<u>--</u>	<u>--</u>	<u>(434,405)</u>	<u>--</u>	<u>(1,351,362)</u>
Net receivables-governmental funds	<u>\$49,880,600</u>	<u>\$40,085,585</u>	<u>\$18,612</u>	<u>\$3,361,948</u>	<u>\$32,980,374</u>	<u>\$42,611</u>	<u>\$126,369,730</u>

	Greater Baton Rouge Airport District	Comprehensive Sewerage System	Solid Waste Collection and Disposal Fund	Nonmajor Enterprise Funds	<u>Total</u>
Business-type Activities:					
<u>Receivables:</u>					
Sales taxes	\$ --	\$ 4,980,113	\$ --	\$ --	\$ 4,980,113
Accounts	1,126,467	11,046,052	4,506,170	638,829	17,317,518
Accrued interest	<u>27,535</u>	<u>1,107,181</u>	<u>39,752</u>	<u>21,667</u>	<u>1,196,135</u>
Gross receivables	1,154,002	17,133,346	4,545,922	660,496	23,493,766
Less: allowance for uncollectibles	<u>(35,579)</u>	<u>(750,000)</u>	<u>--</u>	<u>(25,000)</u>	<u>(810,579)</u>
Net total receivables	<u>\$1,118,423</u>	<u>\$16,383,346</u>	<u>\$4,545,922</u>	<u>\$635,496</u>	<u>\$22,683,187</u>

Summary of other receivables reported on the Statement of Net Position for Business-type activities:

Current assets - receivables	\$22,185,696
Restricted assets - receivables	<u>497,491</u>
Totals	<u>\$22,683,187</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 14 - Detailed Restricted Net Position and Fund Balances

a. Details of restricted Net Position as reported in the entity-wide Statement of Net Position are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Net Position Restricted For:			
Capital projects:			
Federal and state capital grant funds	\$ 3,769,796	\$ --	\$ 3,769,796
Federal forfeited property	338,850	--	338,850
Bond funds from dedicated road sales tax	3,500,687	--	3,500,687
Dedicated sales tax for street construction	34,000,741	--	34,000,741
Dedicated property taxes authorized by the electorate for specific special revenue funds	41,716,100	--	41,716,100
Dedicated hotel-motel taxes for Riverfront improvements	<u>1,083,372</u>	<u>9,301,031</u>	<u>10,384,403</u>
Total Net Position restricted for capital projects	<u>84,409,546</u>	<u>9,301,031</u>	<u>93,710,577</u>
Debt service:			
2% City sales tax revenue bonds	1,305,469	--	1,305,469
½% Road sales tax revenue bonds	3,795,833	--	3,795,833
LCDA road and street improvement projects	1,197,917	--	1,197,917
Sewerage Commission revenue bonds	--	12,407,901	12,407,901
LCDA Sewerage commission project	--	37,986,612	37,986,612
Greater Baton Rouge Airport District debt service	<u>--</u>	<u>786,269</u>	<u>786,269</u>
Total Net Position restricted for debt service	<u>6,299,219</u>	<u>51,180,782</u>	<u>57,480,001</u>
Passenger facility charge:			
Greater Baton Rouge Airport District (see note 16)	<u>--</u>	<u>434,523</u>	<u>434,523</u>
External legal constraints:			
Dedicated property taxes authorized by the electorate to specific special revenue funds and purposes	\$ 14,499,493	\$ --	\$ 14,499,493
Dedicated sales tax for street maintenance and beautification	34,629,883	--	34,629,883
Court fees for juror compensation and judicial buildings	1,055,435	--	1,055,435
State road funds dedicated for transportation	16,944,189	--	16,944,189
Telephone surcharge dedicated to communications district	4,965,187	--	4,965,187
Public, Educational and Governmental programming fees	253,790	--	253,790
Volunteer fire districts service charges authorized by the electorate	657,082	--	657,082
Federal forfeited property	54,269	--	54,269
Collateral posted with swap agreement	<u>--</u>	<u>65,000,000</u>	<u>65,000,000</u>
Total Net Position restricted for external legal constraints	<u>73,059,328</u>	<u>65,000,000</u>	<u>138,059,328</u>
Total Restricted Net Position	<u>\$163,768,093</u>	<u>\$125,916,336</u>	<u>\$289,684,429</u>

b. Details of restricted, committed, and assigned fund balances at year-end are as follows:

	<u>General</u> <u>Fund</u>	<u>Library</u> <u>Board of</u> <u>Control</u>	<u>Grants</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Fund balances:						
Nonspendable:						
Inventory	\$ 726,423	\$ --	\$ --	\$ --	\$ --	\$ 726,423

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

EXHIBIT A - 17
(Continued)

NOTE 14 - Detailed Restricted Net Position and Fund Balances (Continued)

b. Details of restricted, committed, and assigned fund balances at year-end (Continued):

	<u>General</u> <u>Fund</u>	<u>Library</u> <u>Board of</u> <u>Control</u>	<u>Grants</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Fund balances (Continued):						
Restricted for:						
Dedicated property taxes:						
Library services and construction	\$ --	\$74,865,218	\$ --	\$ 34,787,056	\$ --	\$109,652,274
Mosquito abatement and rodent	--	--	--	6,331,851	2,462,738	8,794,589
Downtown development	--	--	--	--	419,749	419,749
Emergency medical services	--	--	--	597,193	7,752,564	8,349,757
Fire department pay enhancement	--	--	--	--	2,296,755	2,296,755
Volunteer fire districts	--	--	--	--	1,585,269	1,585,269
Road lighting	--	--	--	--	4,188,256	4,188,256
Dedicated sales taxes:						
Street improvement/beautification	--	--	--	34,000,741	4,854,662	38,855,403
Street maintenance	--	--	--	--	30,364,800	30,364,800
Dedicated hotel-motel taxes for	--	--	--	1,083,372	--	1,083,372
Bond funds for capital improvements	--	--	--	56,960,874	--	56,960,874
Debt Service	--	--	--	--	11,040,083	11,040,083
Court fees for juror compensation	--	--	--	--	342,174	342,174
Court fees for judicial buildings	--	--	--	--	528,519	528,519
Court fees for sobriety court	--	--	--	--	63,092	63,092
Court fees for technology	--	--	--	--	129,850	129,850
State Road funds for transportation	--	--	--	--	16,944,189	16,944,189
Telephone surcharges for public safety	--	--	--	4,965,187	7,301,203	12,266,390
Public, educational and governmental	182,271	--	--	71,519	--	253,790
Volunteer fire districts service charges	--	--	--	--	967,844	967,844
Federal and state grant programs	--	--	14,628,625	3,769,796	--	18,398,421
Federal forfeited property	--	--	--	338,850	691,976	1,030,826
Total Restricted	<u>182,271</u>	<u>74,865,218</u>	<u>14,628,625</u>	<u>142,906,439</u>	<u>91,933,723</u>	<u>324,516,276</u>
Committed to:						
Loans receivable	751,937	--	--	--	--	751,937
Self-insurance purposes	37,765,363	--	--	--	--	37,765,363
Budget stabilization	12,893,400	--	--	--	--	12,893,400
General capital improvements	--	--	--	26,813,213	--	26,813,213
City constable court costs	--	--	--	--	179,429	179,429
Gaming enforcement	--	--	--	--	189,024	189,024
Emergency medical services	--	--	--	--	9,179,544	9,179,544
Total Committed	<u>51,410,700</u>	<u>--</u>	<u>--</u>	<u>26,813,213</u>	<u>9,547,997</u>	<u>87,771,910</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
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EXHIBIT A - 17
(Continued)

NOTE 14 - Detailed Restricted Net Position and Fund Balances (Continued)

b. Details of restricted, committed, and assigned fund balances at year-end (Continued):

	<u>General</u> <u>Fund</u>	<u>Library</u> <u>Board of</u> <u>Control</u>	<u>Grants</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Fund balances (Continued):						
Assigned to:						
Next year's adopted budget	\$ 6,383,860	\$ --	\$ --	\$ --	\$ --	\$ 6,383,860
Approved continuing projects	18,279,491	--	--	--	--	18,279,491
Police equipment	589,838	--	--	--	--	589,838
Community centers	261,556	--	--	--	--	261,556
Sales tax refunds	2,554,912	--	--	--	--	2,554,912
Animal control	234,181	--	--	--	--	234,181
Other purposes	<u>1,890,972</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,890,972</u>
Total Assigned	<u>30,194,810</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>30,194,810</u>
Unassigned	<u>12,921,738</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,921,738</u>
Total fund balances	<u>\$95,435,942</u>	<u>\$74,865,218</u>	<u>\$14,628,625</u>	<u>\$169,719,652</u>	<u>\$101,481,720</u>	<u>\$456,131,157</u>

c. Governmental Fund existing resources will be used to satisfy encumbrances therefore, the following amounts are included in restricted, committed, or assigned fund balances at December 31, 2016:

General fund	\$ 1,890,972
Library board of control	1,604,922
Grants fund	21,394,170
Nonmajor governmental funds	5,479,612
Capital projects fund	<u>51,550,808</u>
Total governmental fund encumbrances	<u>\$81,920,484</u>

NOTE 15 - Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	<u>Greater</u> <u>Baton Rouge</u> <u>Airport District</u>	<u>Comprehensive</u> <u>Sewerage</u> <u>System</u>	<u>Other</u> <u>Enterprise</u> <u>Total</u>	<u>Total</u>
Revenue bonds construction accounts	\$5,061,598	\$177,790,358	\$ --	\$182,851,956
Collateral posted with swap agreement	--	65,000,000	--	65,000,000
Hotel-motel tax construction accounts	--	--	8,412,187	8,412,187
Passenger Facility Charges (PFC) account	627,966	--	--	627,966
Revenue bonds debt service accounts	1,563,438	73,507,632	--	75,071,070
Accounts receivable - PFC	108,712	--	--	108,712
Accrued interest receivable - PFC	8,083	--	--	8,083
Accrued interest receivable - sales tax revenue bonds	--	366,767	--	366,767
Accrued interest receivable - hotel-motel tax	<u>--</u>	<u>--</u>	<u>13,929</u>	<u>13,929</u>
Total restricted assets	<u>\$7,369,797</u>	<u>\$316,664,757</u>	<u>\$8,426,116</u>	<u>\$332,460,670</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 17
(Continued)

NOTE 16 - Passenger Facility Charges - Greater Baton Rouge Airport District

On September 28, 1992, the Greater Baton Rouge Airport District (Airport) received approval from the Federal Aviation Administration (FAA) to impose a \$3.00 passenger facility charge (PFC) in accordance with Section 158.29 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158). On May 19, 2005, the FAA approved the imposition of a \$4.50 passenger facility charge by the Airport District for the financing of additional improvements.

PFC revenue received, but not yet spent, along with interest income, is classified as restricted Net Position on the Statement of Net Position. On the Statement of Revenues, Expenses, and Changes in Fund Net Position, PFC revenue is classified as non-operating revenue, while on the Statement of Cash Flows, PFC collections are classified as capital in nature.

The Airport began assessing the fee on December 1, 1992. As of December 31, 2016, the FAA has approved the following applications for disbursement of the proceeds of the PFC as follows:

<u>Application Number and Description</u>	<u>Approved PFC Level</u>	<u>Total FAA Authorization</u>	<u>Total Disbursed through 12/31/2016</u>	
2 Noise mitigation	\$3.00	\$ 1,315,124	\$ 1,315,124	closed
3 Terminal building and plan specifications	3.00	1,290,899	1,290,899	closed
4 Terminal development with financing	4.50	34,863,776	20,959,216	
5 Airport access road	4.50	3,089,499	1,617,517	
5 Acquire A/C loading bridges	4.50	2,324,075	805,138	
6 Runway 4L/22R extension project	4.50	11,815,660	4,089,787	
6 Professional Fees-administration of PFC	4.50	434,000	--	
6 General Aviation Apron Facility Expansion	4.50	598,529	288,900	
7 Terminal Atrium Expansion	4.50	20,298,565	4,189,561	
7 Acquisition of Property for Development	4.50	2,802,951	567,648	
7 Taxiway Fillet Construction	4.50	1,429,025	288,782	
7 Ticket Lobby Expansion	4.50	<u>1,097,133</u>	<u>380,268</u>	
Total Approved Applications		<u>\$81,359,236</u>	<u>\$35,792,840</u>	

Since the inception of the PFC, the Airport has recorded the following revenues and expenses through the 2016 fiscal year resulting in a restriction of Net Position from passenger facility charges as follows:

	<u>Accrual Basis</u>	<u>Cash Basis</u>
Cumulative PFC receipts (1992 - 2016), net of administrative fee	\$ 33,712,024	\$ 33,603,312
Interest earnings	1,446,499	1,446,459
Claim settlement	<u>1,371,035</u>	<u>1,371,035</u>
Total revenues	<u>36,529,558</u>	<u>36,420,806</u>
Cumulative disbursements for PFC projects (1992 - 2016)	(9,791,889)	(9,732,386)
Cumulative bond principal payments	(12,741,034)	(12,741,034)
Cumulative bond interest payments	<u>(13,562,112)</u>	<u>(13,319,420)</u>
Total disbursements	<u>(36,095,035)</u>	<u>(35,792,840)</u>
Net PFC cash, December 31, 2016		<u>\$ 627,966</u>
Net Position restricted for PFC, December 31, 2016	<u>\$ 434,523</u>	

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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EXHIBIT A - 17
(Continued)

NOTE 17 - Solid Waste Disposal Facility Closure and Postclosure Care Liability

The City-Parish North Landfill opened in October 1993. The North Landfill is permitted by the U.S. Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (DEQ) to dispose of municipal solid waste and non-hazardous industrial waste from East Baton Rouge Parish and from surrounding cities, towns, and parishes. Regulations issued by the EPA and the DEQ require the City-Parish to perform certain closing functions and postclosure monitoring and maintenance functions for the North Landfill.

Municipal Solid Waste Landfill (MSWLF) Closure and Postclosure Care Costs are accounted for in accordance with guidelines in Section L10 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Section L20 of *the code* states that a portion of the estimated total current cost of MSWLF closure and postclosure care is required to be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition should begin on the date the MSWLF begins accepting solid waste, continue in each period that it accepts waste, and be completed by the time it stops accepting waste. The estimated total current cost of closure and postclosure care includes the cost of equipment expected to be installed and facilities expected to be constructed near or after the date that the Solid Waste Disposal Facility stops accepting solid waste and any equipment installed during the 30 year postclosure period. Included in the total current cost is the cost of final cover expected to be applied near or after the date the facility stops accepting solid waste, and the cost of monitoring and maintaining the expected usable landfill area during the postclosure period.

The estimated cost of the closure and postclosure care costs is \$31,949,276. Total estimated capacity is 28,420,000 cubic yards and the projected life is 45 years from the opening date of the landfill. The estimated cost will be adjusted on an annual basis as deemed necessary by the management of the Department of Public Works to reflect the effect of inflation, changes in technology or changes in applicable laws or regulations.

The Solid Waste Collection and Disposal Enterprise Fund recognizes a portion of the current estimated cost of MSWLF closure and postclosure care as an expense and as a liability in each period that it accepts solid waste. The expense and liability are based on the number of cubic yards of waste received at the landfill during the period rather than on the passage of time. The projections assume that the current solid waste generation trends will continue and that no waste will be diverted to alternative disposal facilities.

The liability for closure and postclosure care at December 31, 2016, totals \$16,367,691. The liability is based on the landfill capacity used to date of 14,559,634 cubic yards or 51.23% of the landfill capacity. The liability will be financed by the Solid Waste Collection and Disposal Enterprise Fund. The remaining estimated cost of closure and postclosure care of \$15,581,585 will be recognized as the remaining estimated capacity is filled. The estimated remaining useful life of the landfill as of December 31, 2016, is 22 years.

NOTE 18 - State Required Disclosures

a. Council Members Compensation

Each Metropolitan Council Member receives monthly compensation in accordance with The Plan of Government. Compensation is currently \$1,000 a month for council members. In addition, members of the Metropolitan Council receive \$800 per month combined travel and auto allowance. (LRS 33:1233(B)) Following is a list of Council Members with gross wages, including auto allowance, that was reported as paid in year 2016:

District 1	Trae Welch	\$21,600
District 2	Chauna Banks-Daniel	21,600
District 3	Chandler Loupe	
	Council	21,600
	Mayor ProTem	18,000
District 4	Scott Wilson	21,600
District 5	Ronnie Edwards	581
	Erika Green	20,903
District 6	Donna Collins-Lewis	21,600
District 7	C. Denise Marcelle	581
	LaMont Cole	20,903

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EXHIBIT A - 17
(Continued)

NOTE 18 - State Required Disclosures (Continued)

a. Council Members Compensation (Continued)

District 8	Buddy Amoroso	21,600
District 9	Joel Boe'	21,600
District 10	Tara Wicker	21,600
District 11	Ryan Heck	21,600
District 12	John M. Delgado	21,600

b. Communications District Wireless E911 Service

Act 1029 of the 1999 Louisiana Legislative Session authorizes the parish governing authority of a communication district to levy an emergency telephone service charge on wireless communications systems to pay the costs of implementing FCC ordered enhancements to the E911 system. The act further requires that governing authorities disclose in the audited financial statements information on the revenues derived from the service charge, the use of such revenues, and the status of implementation of wireless E911 service.

The East Baton Rouge Parish Communications District Board of Commissioners enacted Resolution No. 001/2000 on March 17, 2000, assessing an emergency telephone service charge of \$0.50 per month per wireless Commercial Mobile Radio Service (CMRS) user. In 2006 the fee was increased to \$0.85 per month by the Communications District Board. In 2010, Act 531 of the 2009 Louisiana Legislative Session authorized the addition of a 2% service charge to prepaid wireless telecommunication services which is distributed among the communication districts in the state by the Louisiana Department of Revenue after collection of an administrative cost.

Since the enactment of the fee, the Communications District Special Revenue Fund has collected \$43.6 million in wireless fees. Approximately \$5,707,763 has been directly contributed to enhancement of wireless technology. The wireless 911 system is fully implemented and operational. Revenues from the wireless fee are now budgeted in the Communication District Special Revenue Fund Annual Budget and approved by the City-Parish Metropolitan Council. Technological upgrades are included in the operations budget as needed. For budget statement detail on the Communications District Fund, see Exhibit B-12.

c. Summary of City-Parish Sales Tax Collections remitted to Other Taxing Authorities

Act 711 of the 2010 Louisiana Legislative Session amended LRS 24:51 (B) to provide required footnote disclosure in the financial statements for local governments that collect tax for other taxing jurisdictions. Listed below are sales tax collections and distributions to other parish governmental agencies during calendar year 2016.

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
City of Baker	\$ 3,824,145	\$ 40,830	\$ 3,783,315
Baker School	2,980,785	31,850	2,948,935
Baker Hotel District	58,043	576	57,467
City of Zachary	7,777,830	80,266	7,697,564
Zachary School District	9,380,821	93,795	9,287,026
Zachary Hotel	165,613	1,635	163,978
City of Central	5,399,869	53,030	5,346,839
Central School District	7,068,180	72,836	6,995,344
EBRP School District	164,937,045	1,716,757	163,220,288
Street Improvements Tax for other municipalities	4,133,308	31,694	4,101,614
Visit Baton Rouge	<u>5,245,763</u>	<u>6,000</u>	<u>5,239,763</u>
Total	<u>\$210,971,402</u>	<u>\$2,129,269</u>	<u>\$208,842,133</u>

NOTE 19 - Tax Abatement

a. Restoration Tax Abatement Program:

The City of Baton Rouge – Parish of East Baton Rouge Metro-Council enters into property tax abatement agreements on an individual basis as referred by the Louisiana Economic Development Restoration Tax Abatement Program. The abatements are permissible in accordance with the Louisiana Administrative Code, Title 13, Part I, Chapter 9:

General

A. Intent of Law. To encourage the expansion, restoration, improvement, and development of existing commercial structures and owner-occupied residences in downtown, historic, and economic development districts. To provide for the development and improvement of local communities, encourage the fullest use of underutilized resources, and enhancement of the tax base.

B. Program Description. The Restoration Tax Abatement Program provides to commercial property owners and homeowners who expand, restore, improve or develop an existing structure in a downtown development district, economic development district or historic district (the "project"), the right for five years after completion of the work, to pay ad valorem taxes based on the assessed valuation of the property for the year prior to the commencement of the project. The application is subject to approval by the local governing authority, the state Board of Commerce and Industry, and the governor. Assessment of the improvements, made by the project to the property, is deferred for five years by a contract entered into with the Board of Commerce and Industry. The contract may be eligible for renewal, subject to the same conditions, for an additional five years. The tax abatement is now available if property taxes have been paid on the improvements made by the project. If the property is sold, the contract may be transferred, subject to local government and board approval.

For the fiscal year ended December 31, 2016, property taxes otherwise due to the City-Parish and its components totaling \$640,754 were abated, including the following property tax abatements agreements that each exceed 10 percent of the total amount abated:

1. A hospitality company received tax abatements in the amount of \$70,303 for restoration and improvements of a historic hotel in the downtown area.
2. A hospitality company received tax abatements in the amount of \$81,089 for the purpose of encouraging private investment and restoration of property.
3. An apartment building owner received tax abatements in the amount of \$67,945 for restoration and improvement of an apartment building.

More information is available at: <https://www.opportunitylouisiana.com/business-incentives/restoration-tax-abatement>

b. Tax Increment Financing Tax Abatements:

The City of Baton Rouge – Parish of East Baton Rouge Metro-Council considers tax abatement agreements on an individual basis. These abatements are permissible in accordance with Louisiana Revised Statutes Chapter 27 of Title 33. These abatements are provided through the use of Tax Increment Financing (TIF) whereby separate legal entities (districts) are formed for the purpose of governing the use of tax revenue generated within the district.

For the fiscal year ended December 31, 2016, there were seven active TIF programs receiving sales tax abatements for a total of \$2,538,892, and one TIF also receiving occupancy tax of \$104,634. The following tax abatement agreements each exceed 10 percent of the total amount abated:

1. A Tax Increment Financing District received tax abatements in the amount of \$305,677 as part of an agreement to renovate and operate a hotel.
2. A Tax Increment Financing District received tax abatements in the amount of \$1,683,723 as part of an agreement to improve a roadway and provide specific employment opportunities.
3. A Tax Increment Financing District received abatements of \$312,691 from sales tax and \$104,634 from occupancy tax as part of an agreement to renovate and operate a hotel.

NOTE 19 - Tax Abatement (Continued)

c. Enterprise Zones:

The City-Parish enters in to Enterprise Zone contracts as permitted by Louisiana Revised Statute 51:1787 and approved by the Louisiana Department of Economic Development Board of Commerce & Industry.

The Enterprise Zone, or EZ program is a jobs incentive program that provides tax credits to a new or existing business located in Louisiana creating permanent net new full-time jobs, and hiring at least 50% of those net new jobs from one of four targeted groups. The benefit provides:

- *Either a one-time \$3,500 or \$1,000 tax credit for each net new job created.*
- *A rebate of sales and use taxes paid on qualifying materials, machinery, furniture, and/or equipment purchased or a 1.5% refundable investment tax credit on the total capital investment, excluding tax exempted items. The rebate shall not exceed \$100,000 per net new job.*

The portion of rebates funded by the City-Parish is derived from 1.9% of the 2.0% City-Parish general sales tax. During the 2016 fiscal year Sales Tax totaling \$67,420 were abated as a result of this program.

More information is available at: <https://www.opportunitylouisiana.com/business-incentives/enterprise-zone>

d. Industrial Tax Exemption Program

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program which offers an attractive tax incentive for manufacturers within the state. The program abates, up to ten years, local property taxes (Ad Valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site.

Businesses must be classified as a manufacturer or related to the manufacturing project in order to receive the benefits of the ITEP program. ITEP is only available for activities related to manufacturers.

This program is administered by Louisiana Economic Development. More information on this program can be found in the Louisiana Administrative Code Title 13, Part I, Chapter 5.

For the fiscal year ended December 31, 2016, Ad Valorem Taxes estimated on a depreciated basis of approximately \$9,935,662 were abated as a result of this program.

More information is available at: <https://www.opportunitylouisiana.com/business-incentives/industrial-tax-exemption>

e. Other Programs

LSA R.S. 39:46, local Ordinance 15406 and a Resolution 51129 of the City-Parish Metropolitan Council authorized the Mayor President to execute a contract offering a performance-based Sales Tax rebate in which the City provided a sales tax rebate of the local 2% general tax upon the sale price of admission tickets to the Bayou Country Superfest on the condition that the event generated a minimum average of 25,000 attendees per day over the event period. This incentive resulted in a Sales Tax Abatement totaling \$123,088.

NOTE 20 - Subsequent Events

Subsequent to year end, the City Parish received notification from the Louisiana Legislative Auditor (LLA) challenging the authority for the City of Baton Rouge to levy the Three-Platoon Millage from 2017 forward. This millage generates approximately \$1.7 million annually in the general fund to support the three-platoon system for the police department. In May 2017, the LLA requested an opinion from the Attorney General to resolve this matter. An opinion has not been received as of the date of these financial statements.

