

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

<u>INDEX</u>	<u>Page Number</u>
Note 1 - Summary of Significant Accounting Policies .....	52
Note 2 - Stewardship, Compliance, and Accountability .....	64
Note 3 - Cash, Cash Equivalents and Investments .....	66
Note 4 - Property Taxes .....	72
Note 5 - Federal and State Financial Assistance .....	73
Note 6 - Changes in Capital Assets .....	75
Note 7 - Employees' Retirement Systems .....	82
Note 8 - Council Members Compensation .....	89
Note 9 - Postemployment Benefits .....	89
Note 10 - Long-Term Debt .....	90
Note 11 - Interfund and Intergovernmental Receivables and Payables .....	105
Note 12 - Interfund Transfers .....	107
Note 13 - Risk Management .....	108
Note 14 - Lease Commitments .....	110
Note 15 - Communications District Wireless E911 Service .....	113
Note 16 - Segments of Enterprise Activities .....	113
Note 17 - Restricted Assets .....	115
Note 18 - Passenger Facility Charges - Greater Baton Rouge Airport District .....	115
Note 19 - Solid Waste Disposal Facility Closure and Postclosure Care Liability .....	116
Note 20 - Other Receivables .....	117

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15

**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 north 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 (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.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part 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 including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City-Parish governing authority (Metropolitan Council or Mayor-President) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City-Parish and the potential component unit.
4. Imposition of will by the City-Parish on the potential component unit.
5. Financial benefit/burden relationship between the City-Parish and the potential component unit.

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 (CPERS) is reported as a pension trust 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 CPERS is the calendar year. The separately issued audit report on the retirement system can be obtained at the following address: Jeffrey R. Yates, Retirement Administrator; P.O. Box 1471, Baton Rouge, LA 70821-1471.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**a. Financial Reporting Entity (Continued)**

**Discrete Component Units**

Capital Transportation Corporation (CTC) - CTC is a corporation created by and for the benefit of the Parish to provide urban mass transportation services. Any property acquired by the corporation is for the use and benefit of the City-Parish. Metropolitan Council approval is required for all transportation fare changes and operating subsidies. Operating subsidies are provided through a federal grant and by local matching funds appropriated by the Metropolitan Council. CTC's financial statements for the period ended December 31, 2002, are discretely presented in the basic financial statements.

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 budget process. These officials also have certain 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, 2002)  
Nineteenth Judicial District Court (for the period ended June 30, 2002)  
E.B.R. Parish Coroner (for the period ended December 31, 2002)  
E.B.R. Parish Family Court (for the period ended December 31, 2002)  
E.B.R. Parish Juvenile Court (for the period ended December 31, 2002)  
Nineteenth Judicial District Indigent Defender Board (for the period ended December 31, 2002)

Financial statements for the East Baton Rouge Parish Clerk of Court (for the period ended June 30, 2002) are also reported in the component units columns of the basic financial statements. A financial burden/benefit relationship exists between the Clerk and the primary government since the parish is statutorily required to fund certain items in the budget of the Clerk. The parish is also entitled to fifty percent of any surplus general funds of the Clerk of Court at the end of the Clerk's elected term.

Capital Region Planning Commission - The Capital Region Planning Commission is a private non-profit government agency that administers federal funding from the U.S. Department of Transportation. A majority of the commissioners are appointed by the City-Parish governing authority. The Metropolitan Council also approves grant budgets and pass-through funding to the Commission. The Commission's financial statements for the year ended June 30, 2002 are included in the discrete component unit columns of the basic financial statements.

Parish Fire Protection Districts - Parish Fire Protection Districts (including St. George Fire Protection District, Brownsfield Fire Protection District, Central Fire Protection District, E.B.R. Parish Fire Protection District No. 6, Eastside Fire Protection District, Pride Fire Protection District, Chaneyville Fire Protection District, and Alsen-St. Irma Lee Fire Protection District) are established pursuant to State Statutes. The Metropolitan Council appoints a majority of the board members of each fire protection district. The Council has the right to approve the fire protection districts' tax rates and charges. Although the City-Parish has issued debt in the past on behalf of one or more of the fire protection districts, each district is legally responsible for the debt it incurs. The fiscal year for all fire protection districts is the calendar year except St. George Fire Protection District whose fiscal year end is September 30, 2002.

Brownsfield Fire Protection District, Chaneyville Fire Protection District, Pride Fire Protection District and Alsen - St. Irma Lee Fire Protection District do not have separately issued audit reports. Fiscal agency services for these legally separate discrete component units are provided by the City-Parish financial management system. Individual fund financial statements for these four non-major component units are included in the Combining and Individual Fund Statements and Schedules section of this report. (See Exhibits G-1 through G-8.)

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**a. Financial Reporting Entity (Continued)**

**Discrete Component Units (Continued)**

Separately issued financial statements of all other 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 or at the following administrative offices:

District Attorney Doug Moreau 222 St. Louis Street, Fifth Floor Baton Rouge, LA 70802	East Baton Rouge Clerk of Court Doug Welborn 222 St. Louis Street, First Floor Baton Rouge, LA 70802
Nineteenth Judicial District Court JoAnn Bruce, Judicial Administrator 222 St. Louis Street, Sixth Floor Baton Rouge, LA 70802	Central Fire Protection District 11646 Sullivan Road Baton Rouge, LA 70818
Capital Region Planning Commission Don Neisler, Executive Director 333 North 19th Street P.O. Box 3355 Baton Rouge, LA 70821	East Baton Rouge Parish Coroner Dr. Louis Cataldie 222 St. Louis Street, Fifth Floor Baton Rouge, LA 70802
Nineteenth Judicial District Indigent Defender Board Michael Mitchell 333 St. Louis Street Baton Rouge, LA 70802	St. George Fire Protection District 13686 Perkins Road Baton Rouge, LA 70810
East Baton Rouge Parish Family Court Ronnie Bullion, Judicial Administrator 222 St. Louis Street, Seventh Floor Baton Rouge, LA 70802	Capital Transportation Corporation Dona McLean, Finance Director 2250 Florida Boulevard Baton Rouge, LA 70802
East Baton Rouge Parish Juvenile Court Donna Carter, Judicial Administrator 8333 Veterans Memorial Boulevard Baton Rouge, LA 70807	E.B.R. Parish Fire Protection District No. 6 7878 Prescott Road Baton Rouge, LA 70812
	Eastside Fire Protection District 15094 Old Hammond Highway Baton Rouge, LA 70816-1243

**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 Arlene Norwood, Office Manager 10633 Zachary-Deerford Road Zachary, LA 70791-9304	Baton Rouge Recreation and Park Commission (BREC) Mike Proctor, Finance Director P.O. Box 15887 Baton Rouge, LA 70895
East Baton Rouge Housing Authority Joseph F. Johnson, Executive Director 4546 North Street Baton Rouge, LA 70806	

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**a. Financial Reporting Entity (Continued)**

**Related Organizations (Continued)**

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	East Baton Rouge Mortgage Finance Authority
David Verinder, Chief Financial Officer	Sidney Longwell, Jr., Chairman
Lane Memorial Hospital	8555 United Plaza Boulevard
6300 Main Street	Suite 207, Four United Plaza
Zachary, LA 70791	Baton Rouge, LA 70809-2251
Industrial Development Board	
(No Financial Transactions)	

**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 non-major fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City-Parish has elected not to follow subsequent private-sector guidance.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The government-wide financial statements include the statement of net assets 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 internally dedicated resources such as a restricted property tax.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**b. Basis of Presentation (Continued)**

FUND FINANCIAL STATEMENTS:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The daily accounts and operations of the City-Parish continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund 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:

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

General Fund -- The General Fund is the general operating fund of the City and Parish. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. There are no special revenue fund major funds.

Debt Service Funds -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. There are 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 two 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, and billing and collection of a user fee.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**b. Basis of Presentation (Continued)**

FUND FINANCIAL STATEMENTS (Continued):

Proprietary Funds (Continued):

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 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 Fund:

Trust Funds – The City-Parish Employees' Retirement System (CPERS) Pension Trust Fund (a blended component unit) is used to account for the accumulation of contributions for a defined-benefit cost-sharing multiple-employer pension plan to provide retirement benefits to qualified employees. The pension trust fund is presented along with a discrete component unit pension trust fund combined in the funds financial 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.

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.

**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 considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes and gross receipts business taxes are considered "measurable" 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. Special Assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 pension obligation and compensated absences are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of cost such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds and pension trust funds are accounted for on a flow of 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. All annual appropriations lapse at fiscal year-end. The General Fund is the only major fund for which an annual budget is adopted, therefore, it is the only budget presentation in the basic financial statements. The original budget column on the budget presentation includes 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) Capital lease payments are recorded as departmental expenditures on the budget basis, while on the GAAP basis they are reported as debt



CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**d. Budgetary Data (Continued)**

BUDGET POLICIES AND BUDGETARY ACCOUNTING (Continued):

service expenditures. Capital leases, on the GAAP basis, represent acquisitions of general fixed assets with the value of the assets reported as departmental expenditures and other financing sources. (3) Housing and 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 reservation 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 there is available an unappropriated cash surplus sufficient 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-Reserved for Continuing Projects. Such appropriations for continuing projects carried forward from 2001 to 2002 totaled \$11,714,286 for the General Fund, which is included in the original budget column. 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. At year-end, 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. During 2002, the General Fund budget was increased by \$9,832,555 as reflected in the final budget column of the budget presentation and as discussed in the Management's Discussion and Analysis section of this report.

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 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.

**e. Assets, Liabilities, and 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 the Greater Baton Rouge Parking Authority, 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 the Greater Baton Rouge Parking Authority, the

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**e. Assets, Liabilities, and Fund Equity (Continued)**

CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

East Baton Rouge Sewerage Commission, and City and Parish Sales Tax Revenue Bonds as required by the bond indentures for related bond issues.

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 considered part of the City-Parish primary government but 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 at fair value except for: (1) short-term and money market investments, consisting primarily of U.S. treasury obligations with a maturity of one year or less at time of purchase, which are reported at cost and (2) the Louisiana Asset Management Pool (LAMP) investment, which is a local government 2a7-like pool administered by a non-profit corporation organized under State of Louisiana law, which is permitted to be carried at amortized cost.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. 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 Greater Baton Rouge Parking Authority, Greater Baton Rouge Airport Authority and the Comprehensive Sewerage System Enterprise Funds are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Assets since the use of these funds are limited by applicable bond resolutions. In addition, the Greater Baton Rouge Airport Fund shows an additional net asset restriction for unappropriated passenger facility charges and unspent restricted grant proceeds. Impact fees in the Comprehensive Sewerage System Fund are restricted to future capital improvements in the impact district.

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." Long-term interfund loans are recorded as "advances to/from other funds" along with a fund balance reserve account to properly indicate that the amount is not available for appropriation in governmental fund types. Repayments are credited to the receivable with a corresponding reduction of the fund balance reserve. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**e. Assets, Liabilities, and Fund Equity (Continued)**

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 disposal fees at the landfill recorded in the Solid Waste Disposal Facility Enterprise Fund. Uncollectible revenues are estimated at approximately 1/2 percent for the sewer user fees. At December 31, 2002, an uncollectible allowance of 35 percent has been recorded for the Greater Baton Rouge Airport District. Uncollectible amounts for waste disposal fees are historically immaterial and no allowance is recorded.

CAPITAL ASSETS:

Capital assets, which include land and land improvements, buildings, equipment, 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 and land improvements purchased with a minimal value of \$50,000.
- Buildings and building improvements that extend the useful life of a building with a value of \$100,000.
- 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 completion of construction projects. 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

All infrastructure assets purchased by the primary government since 1960 are recorded as capital assets and depreciated accordingly. Certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and other assets acquired from subdivision developers, between year 1980 and year 2000, have not been capitalized as of December 31, 2002. GASB 34 allows the City-Parish until fiscal year 2005 to record and depreciate these donated infrastructure assets. The net financial effect of recording these infrastructure assets will be an increase in net capital assets on the government-wide statements. Donated infrastructure accepted into the City-Parish's maintenance program for years 2001 and 2002 have been capitalized and depreciated in accordance with the above capitalization policy.

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**e. Assets, Liabilities, and Fund Equity (Continued)**

CAPITAL ASSETS (Continued):

The City-Parish capitalizes interest cost (net of interest earned) during the construction phase of major capital projects of proprietary funds in accordance with FASB Statements No. 34, *Capitalization of Interest Cost*, and No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. 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 borrowings from the date of the borrowing until the assets are ready for their intended use. Interest cost capitalized for the period ending December 31, 2001, is disclosed by project in Note 6, Changes in Capital Assets.

LONG-TERM DEBT:

In the government-wide statement of net assets and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, issuance costs, and gains (losses) on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable costs are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial 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 is normally provided by transfers from the General Fund to the Excess Revenue and Limited Tax Fund.

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. Parking garage revenue bonds and any future sewer sales tax revenue bonds are payable from earnings of operations and are accounted for in their respective enterprise fund.

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 years accrual.

All City-Parish primary government classified and non-classified regular employees earn sick leave in varying amounts according to the employee's number of years of continuous service. Sick leave is accumulated without time limitations. 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. 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 liability for separation benefits (accrued sick and vacation leave) for employees who retire or who die. At December 31, 2002, the City-Parish retains approximately 15.3% of the total liability for accumulated sick and vacation leave per calculations performed by an outside actuary consultant.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**e. Assets, Liabilities, and Fund Equity (Continued)**

COMPENSATED ABSENCES (Continued):

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, 2002.

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 cash payments conditioned on the employees' termination or retirement. The City-Parish has recorded the following liabilities as of December 31, 2002, 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, 2002, 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 under GASB Statement No. 16 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, and Medicare 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, 2002, in the governmental fund-type 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 Disposal Facility 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 19.

RESERVES AND DESIGNATIONS OF EQUITY:

Some portions of fund balance in the governmental fund types are reserved to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. Reserved for Subsequent Year Expenditures is fund balance that has been budgeted as a source in the 2002 Operating Budget. "Reserved for Continuing

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**e. Assets, Liabilities, and Fund Equity (Continued)**

RESERVES AND DESIGNATIONS OF EQUITY (Continued):

Projects” are those portions of incomplete projects where appropriations are carried forward to the following year. Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. Other designations are made for specific indicated purposes included in the title and require a council appropriation in subsequent years.

NET ASSETS:

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

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

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 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.

**NOTE 2 - Stewardship, Compliance and Accountability**

**a. Deficit Fund Balance and Unrestricted Net Assets of Individual Funds**

Greater Baton Rouge Airport District:

Unrestricted net assets of the Greater Baton Rouge Airport District at December 31, 2002, reflected a negative \$3,798,629 since most of this fund’s assets are restricted capital assets or restricted cash from the federal government that must be spent on airport improvements. For operating purposes the District has an airport-airline lease agreement, whereby all surplus and shortages in operating cash at year-end, exclusive of certain capital improvements, are shared with the airlines through increased or decreased landing fees in subsequent years. This fund is the only fund in the City-Parish system that is self-supporting from program revenues. (See Exhibit A-2.)

Greater Baton Rouge Parking Authority:

The Greater Baton Rouge Parking Authority (a non-major proprietary fund) has negative unrestricted net assets in the amount of \$70,455. Management policy is to provide a transfer out from the General Fund for the amount of the net loss, exclusive of depreciation. The negative unrestricted net asset amount is primarily the result of prior years accumulated depreciation.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**a. Deficit Fund Balance and Unrestricted Net Assets of Individual Funds (Continued)**

Non-major Component Unit - Chaneyville Fire Protection District:

Chaneyville Fire Protection District has negative unrestricted net assets in the amount of \$414. On the fund level, the district incurred a \$13,107 negative net change in fund balance in fiscal year 2002, due to major billing issues in the fire service fee. The district has addressed the billing problem in 2003 and expects to collect enough revenues to cover the deficit fund balance and negative unrestricted net assets in future years.

**b. Expenditures Exceeding Appropriations (Non-GAAP Budgetary Basis)**

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

	<u>Revised Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
General Fund:			
General government:			
Risk Management	\$12,684,835	\$14,156,326	\$(1,471,491)

The excess of expenditures and encumbrances over appropriations in the Risk Management budget was incurred when employee health and dental claims exceeded the premium base and the budgeted amount.

**c. Budgetary - GAAP Reporting Reconciliation**

Annual budgets are adopted for the General Fund, 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>Non-major Governmental Funds</u>
Net change in fund balances (Budget Basis)	\$(5,763,761)	\$ 608,866
Adjustments:		
To adjust for encumbrances	1,182,378	6,006,633
To adjust for U.S. Housing and Urban Development loans receivable	--	<u>(2,889,433)</u>
Net change in fund balances (GAAP Basis)	<u>\$(4,581,383)</u>	<u>\$3,726,066</u>

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. In accounting for grant funds, fund balance is not reserved for the grantor portion of encumbrances. Accordingly, grant encumbrances must be added to the reserve for encumbrances in

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**c. Budgetary - GAAP Reporting Reconciliation (Continued)**

calculating the adjustment necessary to reconcile GAAP basis to budgetary basis. For non-major governmental funds, the adjustment for encumbrances is calculated as follows:

Reserve for encumbrances	\$4,191,211
Grant encumbrances	<u>1,815,422</u>
 Total encumbrances	 <u><u>\$6,006,633</u></u>

**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 Assets as "Cash and cash equivalents" or "Investments."

**a. Deposits - Primary Government**

City-Parish deposits (including demand deposit accounts and certificates of deposits) at December 31, 2002, for the City-Parish primary government are summarized as follows:

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$227,121,131	\$232,313,089
Category 2	--	--
Category 3	<u>          --</u>	<u>          --</u>
 Total	 <u><u>\$227,121,131</u></u>	 <u><u>\$232,313,089</u></u>

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$202,009,048). The remaining carrying amount of \$25,112,083 is classified as "Cash and cash equivalents."

The City-Parish's bank balance of deposits at December 31, 2002, is categorized above in three levels of credit risk. Category 1 includes bank balance which is insured or collateralized with securities held by the City-Parish or its agent in the City-Parish's name. Category 2 includes bank balance which is collateralized with securities held by the pledging financial institution's trust department or agent in the City-Parish's name. Category 3 includes bank balance which is uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City-Parish's name.

The carrying amount of deposits does not include a cash on hand balance of \$1,724,834 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.



**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**a. Deposits - Primary Government (Continued)**

2. Employees' Retirement System Pension Trust Fund:

At December 31, 2002, the carrying amount of the Retirement System's cash was \$988,652 and the bank balance was \$1,018,382 of which \$100,000 was covered by Federal Depository Insurance. The remainder was collateralized by securities held by the System's agent, Bank One, N.A., Baton Rouge, LA in a custodial account in the Retirement System's name. (Category 1) The carrying amount is classified on the Statement of Fiduciary Net Assets as "Cash and cash equivalents."

**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.
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 revenue bonds for the Greater Baton Rouge Parking Authority, and 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. The proceeds from the issuance of the Greater Baton Rouge Parking Authority Bonds are to be invested in obligations of or guaranteed by the State of Louisiana or the United States of America; obligations issued or guaranteed by any instrumentality or agency of the United States of America; or interest-bearing deposits in any bank or trust company provided that all such deposits shall be insured or collaterally secured in the manner required by the Act and the laws of Louisiana for the securing of such deposits.

Proceeds from the issuance of the Parish's 1993, 1995, 1996, 1998, 1999, and 2001 Public Improvement Sales Tax 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.

Authorized investments from the proceeds of the issuance of the City's 1993, 1997, 1998, and 2001 Public Improvement Sales Tax Revenue Bonds are in general, 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.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

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

City-Parish investments for the primary government at December 31, 2002, are categorized below in order to give an indication of the level of risk assumed by the entity at year-end.

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

	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Amortized Cost/ Fair Value</u>
U.S. Government Securities	\$ 80,866,201	\$ 80,866,201	\$ 81,079,724
State and Local Government Series	4,167,100	4,167,100	4,167,100
Repurchase Agreements	<u>37,317,809</u>	37,317,809	37,317,809
	<u>\$122,351,110</u>		
Investments not subject to categorization:			
Louisiana Asset Management Pool (LAMP)		<u>105,311,729</u>	<u>105,311,729</u>
Total		<u>\$227,662,839</u>	<u>\$227,876,362</u>

Investments with a maturity of less than 90 days are classified on the Statement of Net Assets as "Cash and cash equivalents" (\$106,832,037). The remaining carrying amount of \$120,830,802 is classified on the Statement of Net Assets as "Investments." The difference between carrying amount and amortized cost/fair value of \$213,523 is included in "Receivables - net" on the Statement of Net Assets. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments in U.S. Treasury obligations that have a remaining maturity at time of purchase of one year or less, and investments in 2a7-like pools are stated at amortized cost which is not materially different from fair value. All other investments are shown at fair value.

The \$105,311,729 invested in LAMP is owned by the Parish's pooled account (\$104,000,000), and the East Baton Rouge Sewerage Commission (\$1,311,729). In accordance with GASB Codification Section I50.165, these investments are not categorized above 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. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. 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 to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. 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.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

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

2. Employees' Retirement System Pension Trust Fund:

	<u>Category 1</u>	Category Rating Not Required	Fair Value
U.S. Treasury Bonds	\$ 7,106,341	\$ --	\$ 7,106,341
U.S. Agency Notes	45,014,631	--	45,014,631
Corporate Bonds	69,174,732	--	69,174,732
Corporate Stocks	98,701,398	--	98,701,398
Corporate Stock Index	--	218,637,570	218,637,570
International Equity	--	109,128,773	109,128,773
Enhanced Bond Index Fund	--	138,708,516	138,708,516
Repurchase Agreements	<u>27,150,000</u>	<u>--</u>	<u>27,150,000</u>
Total	<u>\$247,147,102</u>	<u>\$466,474,859</u>	<u>\$713,621,961</u>

The fair value of \$713,621,961 is classified on the Statement of Fiduciary Net Assets as "Investments."

Category 1 includes investments that are insured or registered or for which the securities are held by the City-Parish or its agent in the City-Parish's name.

**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 below in the three levels of credit risk as explained in section (a) of this note above:

Discretely presented Component Units:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
District Attorney of the Nineteenth Judicial District	\$ 2,667,583	\$ 2,784,621	\$1,000,000	\$1,784,621	\$ --
Nineteenth Judicial District Court	802,346	943,389	100,000	--	843,389
E.B.R. Parish Family Court	293,062	293,441	293,441	--	--
E.B.R. Parish Juvenile Court	515,589	567,813	180,723	--	387,090
Nineteenth Judicial District Indigent Defender Board	489,578	498,506	498,506	--	--
E.B.R. Parish Clerk of Court	5,283,622	5,446,000	504,815	--	4,941,185
E.B.R. Parish Coroner	34,741	37,976	37,976	--	--
St. George Fire Protection District	234,538	234,538	234,538	--	--
Central Fire Protection District	357,950	376,495	100,000	--	276,495
District 6 Fire Protection District	98,580	103,760	100,000	--	3,760

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**c. Deposits - Discretely Presented Component Units (Continued)**

	<u>Carrying</u> <u>Amount</u>	<u>Bank</u> <u>Balance</u>	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>
Eastside Fire Protection District	\$ 73,030	\$ 73,030	\$ 73,030	\$ --	\$ --
Pride Fire Protection District	112,112	112,112	112,112	--	--
Capital Region Planning Commission	434,785	451,862	451,862	--	--
Capital Transportation Corporation	<u>1,165,889</u>	<u>611,679</u>	<u>611,679</u>	<u>--</u>	<u>--</u>
Total Component Units	<u>\$12,563,405</u>	<u>\$12,535,222</u>	<u>\$4,298,682</u>	<u>\$1,784,621</u>	<u>\$6,451,919</u>

For the component unit agencies that carry pledged securities that are considered Category 3 under the provisions of GASB Statement 3, 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.

Certificates of deposit with a maturity of 90 days or more are classified on the Statement of Net Assets as "Investments" (\$2,937,830). The remaining carrying amount of \$9,625,575 is classified as "Cash and cash equivalents."

The carrying amounts of deposits do not include a cash on hand balance for E.B.R. Parish Juvenile Court (\$300), Clerk of Court (\$2,225), Capital Region Planning Commission (\$220) and Capital Transportation Corporation (\$1,534) 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.

**d. Investments - Discretely Presented Component Units**

Discretely presented component units excluding Pension Trust Funds:

Investments for component units include a fair value amount of \$14,416 in government securities held by Capital Region Planning Commission that are classified as Category 1.

Fiduciary Pension Trust Fund:

Investments for component unit fiduciary pension trust funds include a fair value amount of \$4,118,450 in mutual funds. The mutual funds are owned by Capital Transportation Corporation's Fiduciary Pension Trust Fund. In accordance with GASB Codification Section I50.165, these investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**e. 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 Statement of Net Assets.

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

Cash and cash equivalents:	
Deposits	\$ 25,112,083
Cash on hand	1,724,834
Investments	1,520,308
Louisiana Asset Management Pool	<u>105,311,729</u>
Sub-total cash and cash equivalents	<u>133,668,954</u>
Investments:	
Deposits	202,009,048
Investments	<u>120,830,802</u>
Sub-total investments	<u>322,839,850</u>
Cash, cash equivalents and investments, December 31, 2002	<u>\$456,508,804</u>

B. Component units excluding Capital Transportation Corporation Pension Trust Fund

Cash and cash equivalents:	
Deposits	\$ 9,625,575
Cash on hand	<u>4,279</u>
Sub-total cash and cash equivalents	<u>9,629,854</u>
Investments:	
Deposits	2,937,830
Investments	<u>14,416</u>
Sub-total investments	<u>2,952,246</u>
Cash, cash equivalents and investments, December 31, 2002	<u>\$ 12,582,100</u>

2. The following is a reconciliation of the carrying amount of deposits and investments to "Cash and cash equivalents" and "Investments" for Pension Trust Funds on the Statement of Fiduciary Net Assets.

Cash and cash equivalents:	
Deposits - Employee's Retirement System Pension Trust Fund	<u>\$ 988,652</u>
Investments:	
Investments - Employee's Retirement System Pension Trust Fund	713,621,961
Investments - Capital Transportation Corporation Fiduciary Pension Trust Fund	<u>4,118,450</u>
Sub-total investments	<u>717,740,411</u>
Cash, cash equivalents and investments, December 31, 2002	<u>\$718,729,063</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**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 2000 was the last reassessment year.

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 2002 property tax calendar is as follows:

Levy date	November 28, 2001
Millage rates adopted	November 28, 2001
Tax bills mailed	November 27, 2002
Due date	December 31, 2002
Lien date	January 1, 2003

State Law requires the Sheriff to collect property taxes in the calendar year in which the assessment 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). 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). Therefore, there are no delinquent taxes at year-end.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar 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 revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

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

**a. Property taxes receivable and estimated uncollectible taxes by fund type for the Primary Government are as follows:**

	Property Taxes <u>Receivable</u>	Estimated Uncollectible Property <u>Taxes</u>	Net Property Taxes <u>Receivable</u>
General Fund	\$ 3,793,573	\$ 431,192	\$ 3,362,381
Special Revenue Funds	<u>9,310,719</u>	<u>1,228,401</u>	<u>8,082,318</u>
Total	<u>\$13,104,292</u>	<u>\$1,659,593</u>	<u>\$11,444,699</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 4 - Property Taxes (Continued)**

**b. Property taxes receivable and estimated uncollectible taxes for the Component Units are as follows:**

	Property Taxes <u>Receivable</u>	Estimated Uncollectible Property Taxes <u>          </u>	Net Property Taxes <u>Receivable</u>
St. George Fire Protection District	\$ 85,879	\$ 51,605	\$ 34,274
Brownsfield Fire Protection District	33,496	6,202	27,294
Central Fire Protection District	215,371	26,100	189,271
E.B.R. Parish Fire Protection District No. 6	148,400	26,231	122,169
Eastside Fire Protection District	159,732	11,993	147,739
Alsen-St. Irma Lee Fire Protection District	<u>53,447</u>	<u>2,429</u>	<u>51,018</u>
Total	<u>\$696,325</u>	<u>\$124,560</u>	<u>\$571,765</u>

**NOTE 5 - Federal and State Financial Assistance**

**a. Grants From Other Governmental Units**

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 expenditures are incurred. The grants normally specify the purpose for which funds may be used and are audited annually in accordance with Office of Management and Budget Circular A-133 under the "Single Audit Concept."

During 2002 and 2001, the following amounts under various grants and entitlements are recorded as revenues, subsidies, or additions to contributions in the accompanying financial statements:

	<u>2002</u>	<u>2001</u>
<b>Primary Government:</b>		
Governmental activities:		
Capital Projects Fund	\$ 4,159,009	\$ 3,911,149
Non-major governmental funds	35,073,344	30,426,351
Business-type funds:		
Greater Baton Rouge Airport District	17,260,308	14,188,407
Comprehensive Sewerage System Fund	5,820,346	6,150,327
Non-major business-type funds	<u>2,887,087</u>	<u>944,891</u>
Total primary government	<u>\$65,200,094</u>	<u>\$55,621,125</u>
<b>Component Units:</b>		
District Attorney of the Nineteenth Judicial District	\$ 897,398	\$ 931,448
Nineteenth Judicial District Court	149,611	69,903
E.B.R. Parish Juvenile Court	72,047	335,778
Nineteenth Judicial District Indigent Defender Board	366,869	353,713
Capital Region Planning Commission	568,985	643,469
Brownsfield Fire Protection District	24,700	1,115
Central Fire Protection District	29,750	--
Capital Transportation Corporation	<u>4,527,808</u>	<u>5,133,488</u>
Total component units	<u>\$6,637,168</u>	<u>\$7,468,914</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(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 2002, 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. The state also paid supplemental salaries for employees of the Nineteenth Judicial District Attorney, judges salaries and benefits for the three court systems and state supplemental salaries of the parish fire protection district component units.

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 these funds back to the City-Parish Employees' Retirement System and the Cities of Zachary and Baker Retirement Systems.

On-behalf payments recorded as revenues and expenditures (expenses) in the 2002 financial statements are as follows:

	<u>State Supplemented Salaries</u>	<u>MERS Contribution</u>	<u>Total 2002 On-Behalf Payments</u>
Primary Government:			
Governmental activities	\$4,494,915	\$482,994	\$4,977,909
Business-type activities	<u>88,061</u>	<u>--</u>	<u>88,061</u>
Total primary government	<u>4,582,976</u>	<u>482,994</u>	<u>5,065,970</u>
Component Units:			
District Attorney of the Nineteenth			
Judicial District	1,414,928	--	1,414,928
Nineteenth Judicial District Court	1,701,799	--	1,701,799
E.B.R. Parish Family Court	453,813	--	453,813
E.B.R. Parish Juvenile Court	226,907	--	226,907
St. George Fire Protection District	312,861	--	312,861
E.B.R. Parish Fire Protection			
District No. 6	35,110	--	35,110
Brownsfield Fire Protection District	10,385	--	10,385
Central Fire Protection District	<u>43,200</u>	<u>--</u>	<u>43,200</u>
Total component units	<u>4,199,003</u>	<u>--</u>	<u>4,199,003</u>
Total on-behalf payments	<u>\$8,781,979</u>	<u>\$482,994</u>	<u>\$9,264,973</u>



CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in Capital Assets**

a. Primary government capital asset activity for the year ended December 31, 2002, was as follows:

	Balance <u>1/1/2002</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance <u>12/31/2002</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and right-of-way	\$ 68,319,724	\$ 2,358,451	\$ --	\$ 70,678,175
Improvements (other than buildings) and infrastructure-earthen canals	1,950,962	--	--	1,950,962
Construction work in progress	<u>30,357,167</u>	<u>10,159,840</u>	<u>22,737,906</u>	<u>17,779,101</u>
Total capital assets not being depreciated	<u>100,627,853</u>	<u>12,518,291</u>	<u>22,737,906</u>	<u>90,408,238</u>
Capital assets being depreciated:				
Buildings	162,110,735	5,037,208	(8,656,217)	175,804,160
Improvements (other than buildings) and infrastructure	257,291,465	9,975,695	(18,117,546)	285,384,706
Equipment and equipment under lease	<u>65,842,631</u>	<u>8,483,079</u>	<u>3,534,017</u>	<u>70,791,693</u>
Total capital assets being depreciated	<u>485,244,831</u>	<u>23,495,982</u>	<u>(23,239,746)</u>	<u>531,980,559</u>
Less accumulated depreciation for:				
Buildings	\$ (86,156,646)	\$ (5,794,852)	\$ --	\$ (91,951,498)
Improvements (other than buildings) and infrastructure	(145,370,022)	(8,678,950)	--	(154,048,972)
Equipment and equipment under lease	<u>(44,654,362)</u>	<u>(9,536,230)</u>	<u>(3,320,624)</u>	<u>(50,869,968)</u>
Total accumulated depreciation	<u>(276,181,030)</u>	<u>(24,010,032)</u>	<u>(3,320,624)</u>	<u>(296,870,438)</u>
Total capital assets being depreciated, net	<u>209,063,801</u>	<u>(514,050)</u>	<u>(26,560,370)</u>	<u>235,110,121</u>
Total governmental activities capital assets, net	<u>\$309,691,654</u>	<u>\$12,004,241</u>	<u>\$ (3,822,464)</u>	<u>\$325,518,359</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land and right-of-way	\$ 64,510,837	\$ 5,182,981	\$ --	\$ 69,693,818
Construction work in progress	<u>8,652,626</u>	<u>36,476,010</u>	<u>28,862,481</u>	<u>16,266,155</u>
Total capital assets not being depreciated	<u>73,163,463</u>	<u>41,658,991</u>	<u>28,862,481</u>	<u>85,959,973</u>
Capital assets being depreciated:				
Buildings	99,741,535	7,698,543	--	107,440,078
Improvements (other than buildings) and infrastructure	621,314,127	17,636,531	--	638,950,658
Equipment	<u>11,276,679</u>	<u>1,097,006</u>	<u>679,634</u>	<u>11,694,051</u>
Total capital assets being depreciated	<u>732,332,341</u>	<u>26,432,080</u>	<u>679,634</u>	<u>758,084,787</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in Capital Assets (Continued)**

**a. Primary government capital asset activity for the year ended December 31, 2002 (Continued)**

	<u>Balance</u> <u>1/1/2002</u>	<u>Additions</u>	<u>Adjustments</u> and <u>Deletions</u>	<u>Balance</u> <u>12/31/2002</u>
<b>Business-Type Activities (Continued):</b>				
Less accumulated depreciation for:				
Buildings	\$ (38,443,735)	\$ (3,576,995)	\$ --	\$ (42,020,730)
Improvements (other than buildings) and infrastructure	(206,000,208)	(23,334,855)	--	(229,335,063)
Equipment	<u>(8,301,194)</u>	<u>(1,167,199)</u>	<u>(666,463)</u>	<u>(8,801,930)</u>
Total accumulated depreciation	<u>(252,745,137)</u>	<u>(28,079,049)</u>	<u>(666,463)</u>	<u>(280,157,723)</u>
 Total capital assets being depreciated, net	 <u>479,587,204</u>	 <u>(1,646,969)</u>	 <u>13,171</u>	 <u>477,927,064</u>
 Total business-type activities capital assets, net	 <u>\$552,750,667</u>	 <u>\$40,012,022</u>	 <u>\$28,875,652</u>	 <u>\$563,887,037</u>

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

**Governmental Activities:**

General government	\$ 2,556,404
Public safety	7,709,204
Transportation	8,706,916
Sanitation	4,375
Health and welfare	274,066
Culture and recreation	1,362,153
Conservation and development	592,547
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>2,804,367</u>
 Total depreciation expense - governmental activities	 <u>\$24,010,032</u>

**Business-Type Activities:**

Airport	\$ 4,354,743
Sewer	21,204,304
Non-major business - type activities	<u>2,520,002</u>
 Total depreciation expense - business-type activities	 <u>\$28,079,049</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in Capital Assets (Continued)**

**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 12/31/2002</u>	<u>Committed</u>	<u>Estimated Required Future Financing</u>
Capital Projects Fund:					
1997 Bond Capital Improvements	\$ 19,746,166	\$ 19,702,593	\$ --	\$ 12,216	None
1998A City Bonds Capital Improvements	9,803,848	7,409,781	--	167,532	None
Miscellaneous Capital Improvements	68,751,643	47,748,251	1,396,163	4,443,839	None
Capital Improvement	58,641,272	47,984,334	1,831,364	1,119,654	None
Road and Street Improvement	97,196,000	37,950,276	8,826,206	5,745,416	None
LCDA Capital Projects	15,480,104	15,079,078	--	--	None
LA DOTD Grants Capital Projects	34,117,132	19,650,712	2,987,818	5,664,298	None
General Capital Expenditures	11,391,609	5,237,616	1,575	324,261	None
Community Development	18,007,770	12,396,618	1,770,686	852,481	None
General Government	4,112,733	4,112,733	--	--	None
Street Improvements	28,542,884	21,990,360	965,289	922,796	None
Animal Control Center	<u>78,561</u>	<u>78,561</u>	<u>--</u>	<u>--</u>	None
Total	<u>\$365,869,722</u>	<u>\$239,340,913</u>	<u>\$17,779,101</u>	<u>\$19,252,493</u>	

**d. Construction work in progress at December 31, 2002, 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 12/31/02</u>
Greater Baton Rouge Airport District:				
Miscellaneous project costs	\$ 1,194,983	\$ 817,462	\$ 28,695	\$ 788,767
Terminal access road	201,018	201,018	--	201,018
Runway and apron improvements	8,878,293	1,150,617	--	1,150,617
Noise mitigation projects	<u>8,777,777</u>	<u>748,641</u>	<u>--</u>	<u>748,641</u>
Total	<u>19,052,071</u>	<u>2,917,738</u>	<u>28,695</u>	<u>2,889,043</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in Capital Assets (Continued)**

**d. Construction work in progress at December 31, 2002, 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 12/31/02</u>
<b>Riverside Centroplex Fund:</b>				
Centroplex expansion project	\$ 32,659,630	\$ 5,976,617	\$ --	\$ 5,976,617
Expansion-from Capital Projects Fund	17,530,376	2,144,307	--	2,144,307
Miscellaneous building improvements	<u>3,048,261</u>	<u>2,903,825</u>	<u>2,901,759</u>	<u>2,066</u>
Total	<u>53,238,267</u>	<u>11,024,749</u>	<u>2,901,759</u>	<u>8,122,990</u>
<b>Comprehensive Sewerage System Fund:</b>				
Central wastewater treatment plant				
Outfall line replacement	4,090,913	226,514	9,000	217,514
Miscellaneous treatment plant improvements	343,470	112,707	73,515	39,192
Rehabilitation construction	2,646,089	506,035	169,696	336,339
Sanitary sewer overflow corrective action plan				
Trunkline system	64,693,720	15,002,720	10,572,342	4,430,378
Telemetry system	793,591	34,444	--	34,444
Supplemental environmental projects	1,072,429	116,861	--	116,861
Rehabilitation of air ejector pump stations	<u>1,125,000</u>	<u>76,455</u>	<u>--</u>	<u>76,455</u>
Rehabilitation of air ejector pump stations	<u>140,000</u>	<u>2,939</u>	<u>--</u>	<u>2,939</u>
Total	<u>74,905,212</u>	<u>16,078,675</u>	<u>10,824,553</u>	<u>5,254,122</u>
<b>Total-all enterprise funds</b>	<u><b>\$147,195,550</b></u>	<u><b>\$30,021,162</b></u>	<u><b>\$13,755,007</b></u>	<u><b>\$16,266,155</b></u>

Total construction period interest costs of \$909,066 were capitalized in 2002 in the Comprehensive Sewerage System Fund. Construction period interest costs of \$1,100,994 from the current and previous fiscal years remain in Construction Work in Progress at December 31, 2002.

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 City-Parish selected construction "Alternate 7" to correct the sanitary sewer overflow problem. This alternate will require the City-Parish to institute a \$618 million construction program involving the construction of a large storage basin, deep underground gravity sewers, three ballasted flocculation waste water treatment facilities, storage tanks in outlying areas of the Parish, and rehabilitation of selected areas of the sanitary sewer collection system.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in 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	\$ 1,425,992	\$ 98,046	\$ 76,980	\$ 1,447,058
Less: accumulated depreciation	<u>(956,706)</u>			<u>(1,057,042)</u>
Total District Attorney of the Nineteenth Judicial District	<u>\$ 469,286</u>			<u>\$ 390,016</u>
<u>Nineteenth Judicial District Court</u>				
Equipment	\$ 884,454	\$ 33,931	\$ 94,167	\$ 824,218
Less: accumulated depreciation	<u>(719,802)</u>			<u>(685,753)</u>
Total Nineteenth Judicial District Court	<u>\$ 164,652</u>			<u>\$ 138,465</u>
<u>E.B.R. Parish Family Court</u>				
Equipment	\$ 248,960	\$ 23,294	\$ --	\$ 272,254
Less: accumulated depreciation	<u>(180,634)</u>			<u>(214,786)</u>
Total E.B.R. Parish Family Court	<u>\$ 68,326</u>			<u>\$ 57,468</u>
<u>E.B.R. Parish Juvenile Court</u>				
Equipment	\$ 371,426	\$ 6,118	\$ 61,558	\$ 315,986
Less: accumulated depreciation	<u>(259,400)</u>			<u>(235,965)</u>
Total E.B.R. Parish Juvenile Court	<u>\$ 112,026</u>			<u>\$ 80,021</u>
<u>Nineteenth Judicial District Indigent Defender Board</u>				
Equipment	\$ 188,324	\$ 4,786	\$ 72,251	\$ 120,859
Less: accumulated depreciation	<u>(147,382)</u>			<u>(82,850)</u>
Total Nineteenth Judicial District Indigent Defender Board	<u>\$ 40,942</u>			<u>\$ 38,009</u>
<u>E.B.R. Parish Clerk of Court</u>				
Equipment	\$ 2,727,285	\$ 99,169	\$ 102,558	\$ 2,723,896
Less: accumulated depreciation	<u>(2,410,314)</u>			<u>(2,421,066)</u>
Total E.B.R. Parish Clerk of Court	<u>\$ 316,971</u>			<u>\$ 302,830</u>
<u>E.B.R. Parish Coroner</u>				
Equipment	\$ 206,170	\$ 18,826	\$ 93,699	\$ 131,297
Less: accumulated depreciation	<u>(142,549)</u>			<u>(73,588)</u>
Total E.B.R. Parish Coroner	<u>\$ 63,621</u>			<u>\$ 57,709</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in 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>
<b><u>St. George Fire Protection District</u></b>				
Land	\$ 289,531	\$ --	\$ --	\$ 289,531
Construction work in progress	91,202	299,486	365,622	25,066
Buildings	965,072	--	(365,622)	1,330,694
Equipment	<u>3,437,766</u>	<u>12,017</u>	<u>1,587</u>	<u>3,448,196</u>
Total	4,783,571	311,503	1,587	5,093,487
Less: accumulated depreciation	<u>(1,728,318)</u>			<u>(1,976,341)</u>
Total St. George Fire Protection District	<u>\$ 3,055,253</u>			<u>\$ 3,117,146</u>
<b><u>Brownsfield Fire Protection District</u></b>				
Land	\$ 18,592	\$ --	\$ --	\$ 18,592
Buildings	59,323	5,450	--	64,773
Equipment	228,215	--	--	228,215
Equipment under capital leases	<u>48,980</u>	<u>--</u>	<u>--</u>	<u>48,980</u>
Total	355,110	5,450	--	360,560
Less: accumulated depreciation	<u>(144,894)</u>			<u>(194,053)</u>
Total Brownsfield Fire Protection District	<u>\$ 210,216</u>			<u>\$ 166,507</u>
<b><u>Central Fire Protection District</u></b>				
Land	\$ 159,018	\$ --	\$ --	\$ 159,018
Buildings	855,124	--	--	855,124
Equipment	1,286,074	49,501	6,881	1,328,694
Equipment under capital leases	<u>437,604</u>	<u>--</u>	<u>--</u>	<u>437,604</u>
Total	2,737,820	49,501	6,881	2,780,440
Less: accumulated depreciation	<u>(1,019,036)</u>			<u>(1,153,445)</u>
Total Central Fire Protection District	<u>\$ 1,718,784</u>			<u>\$ 1,626,995</u>
<b><u>E.B.R. Parish Fire Protection District No. 6</u></b>				
Land	\$ 43,000	\$ --	\$ --	\$ 43,000
Buildings	456,930	12,987	--	469,917
Equipment	636,619	--	617	636,002
Equipment under capital leases	<u>278,011</u>	<u>--</u>	<u>(617)</u>	<u>278,628</u>
Total	1,414,560	12,987	--	1,427,547
Less: accumulated depreciation	<u>(614,994)</u>			<u>(681,075)</u>
Total E.B.R. Parish Fire Protection District No. 6	<u>\$ 799,566</u>			<u>\$ 746,472</u>
<b><u>Eastside Fire Protection District</u></b>				
Land	\$ 151,360	\$ --	\$ --	\$ 151,360
Buildings	1,505,609	3,900	--	1,509,509
Equipment	681,993	18,576	--	700,569
Equipment under capital leases	<u>440,613</u>	<u>--</u>	<u>--</u>	<u>440,613</u>
Total	2,779,575	22,476	--	2,802,051
Less: accumulated depreciation	<u>(590,565)</u>			<u>(721,908)</u>
Total Eastside Fire Protection District	<u>\$ 2,189,010</u>			<u>\$ 2,080,143</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 6 - Changes in Capital Assets (Continued)**

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance End of Year</u>
<u>Pride Fire Protection District</u>				
Land	\$ 15,000	\$ --	\$ --	\$ 15,000
Buildings	135,353	--	--	135,353
Equipment	<u>180,146</u>	<u>--</u>	<u>--</u>	<u>180,146</u>
Total	330,499	--	--	330,499
Less: accumulated depreciation	<u>(103,204)</u>			<u>(130,995)</u>
Total Pride Fire Protection District	<u>\$ 227,295</u>			<u>\$ 199,504</u>
<u>Chaneyville Fire Protection District</u>				
Buildings	\$ 109,334	\$ --	\$ --	\$ 109,334
Equipment	<u>244,882</u>	<u>--</u>	<u>39,898</u>	<u>204,984</u>
Total	354,216	--	39,898	314,318
Less: accumulated depreciation	<u>(240,533)</u>			<u>(236,887)</u>
Total Chaneyville Fire Protection District	<u>\$ 113,683</u>			<u>\$ 77,431</u>
<u>Alsen-St. Irma Lee Fire Protection District</u>				
Land	\$ 9,000	\$ --	\$ --	\$ 9,000
Buildings	256,496	--	--	256,496
Equipment	256,039	--	--	256,039
Equipment under capital lease	<u>256,663</u>	<u>--</u>	<u>--</u>	<u>256,663</u>
Total	778,198	--	--	778,198
Less: accumulated depreciation	<u>(277,587)</u>			<u>(355,865)</u>
Total Alsen-St. Irma Lee Fire Protection District	<u>\$ 500,611</u>			<u>\$ 422,333</u>
<u>Capital Region Planning Commission</u>				
Equipment	\$ 302,492	\$ 39,007	\$ 14,627	\$ 326,872
Less: accumulated depreciation	<u>(81,863)</u>			<u>(273,698)</u>
Total Capital Region Planning Commission	<u>\$ 220,629</u>			<u>\$ 53,174</u>
<u>Capital Transportation Corporation</u>				
Equipment	\$ 11,500,575	\$ 36,820	\$ 623,079	\$ 10,914,316
Less: accumulated depreciation	<u>(6,681,317)</u>			<u>(7,049,280)</u>
Total Capital Transportation Corporation	<u>\$ 4,819,258</u>			<u>\$ 3,865,036</u>
Total component units capital assets	\$ 31,389,227	<u>\$ 761,914</u>	<u>\$ 1,187,285</u>	\$ 30,963,856
Less: total accumulated depreciation	<u>(16,299,098)</u>			<u>(17,544,597)</u>
Total component units capital assets, net	<u>\$ 15,090,129</u>			<u>\$ 13,419,259</u>

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002

EXHIBIT A - 15  
(Continued)

**NOTE 7 - Employees' Retirement Systems**

**a. Primary Government**

**1. Plan Description and Provisions**

The City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System, a separate legal entity, administers an agent multiple-employer defined benefit pension plan. The participating local government employers include:

- City of Baton Rouge, Parish of East Baton Rouge
- District Attorney of the Nineteenth Judicial District
- Nineteenth Judicial District Court
- E.B.R. Parish Family Court
- E.B.R. Parish Juvenile Court
- St. George Fire Protection District
- Brownsfield Fire Protection District
- Central Fire Protection District
- E.B.R. Parish Fire Protection District No. 6
- Eastside Fire Protection District
- \* East Baton Rouge Recreation and Park Commission (BREC)

\* Related Organization under GASB 14

The Retirement System is reported as a blended component unit of City-Parish as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Pension Trust Fund by 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 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 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.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to:

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

The Retirement System reports its financial activities under the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. 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 GASB Statement No. 25 and GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Any person who becomes a regular full-time employee of the Primary Government, excluding commissioned law enforcement officers, becomes a member of the Retirement System as a condition of employment. An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years (Ordinance 10779).



**NOTE 7 - Employees' Retirement Systems (Continued)**

**a. Primary Government (Continued)**

**1. Plan Description and Provisions (Continued)**

Benefit payments are classified into two distinct categories: full retirement benefits and minimum eligibility benefits. 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. Benefits paid to employees shall not exceed 90% of average compensation. Benefits are reduced by 3% for each year below age 55, if service is less than 25 years.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Retirement System are prepared using the accrual basis of accounting. Contributions from participating plan employers and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments**

The investments of the Retirement System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**3. Concentrations of Investments**

The Retirement System has no investments in any one organization representing 5% or more of the net assets available for pension benefits except for obligations of the federal government. There are no investments in loans to or leases with parties related to the pension plan. The investment activity of the Retirement System is subject to an investment policy adopted by the Board of Trustees and to oversight by the Board.

**4. Funding Policy**

The Plan of Government requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employee and employer contributions are made to properly fund the system. In 2002, employees made a mandatory contribution of 8% of gross earnings. The employer contribution rate during the 2002 fiscal year was 7.70% of active payroll for the General Fund and 14.64% of active payroll for all special funds and outside employers.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 7 - Employees' Retirement Systems (Continued)**

**a. Primary Government (Continued)**

**5. Annual Pension Cost and Net Pension Obligation for Regular Employees' Trust**

The following information regarding the Retirement System's net pension obligation is based on the December 31, 2002, actuarial valuation:

Annual required contribution	\$16,110,422
Interest on net pension obligation	596,600
Adjustment to annual required contribution	<u>(548,000)</u>
Annual pension cost	16,159,022
Contributions made	<u>11,855,318</u>
Increase (decrease) in net pension obligation	4,303,704
Net pension obligation beginning of year	<u>7,457,506</u>
Net pension obligation end of year	11,761,210
Less: Net pension obligation for related organization	<u>(841,862)</u>
Net pension obligation - Primary Government and Component Units	<u><u>\$10,919,348</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2002, actuarial valuation using the Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: (1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; (2) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (3) additional projected salary increases based on years of service and age attributable to seniority and merit; (4) no post-retirement benefit increases. The actuarial value of assets was determined using the Expected Value Method. This asset valuation method involves the determination of expected value, based on the actuarial asset value at the beginning of the previous year. The difference between the expected value and the market value for total (unrealized and realized) investment gains/losses is then reflected at the rate of 20% per year for each of the subsequent five years. This technique smooths the volatility of market value for investments.

The initial Unfunded Actuarial Accrued Liability (UAAL) will be amortized over 30 years (closed amortization period) as a level percentage of payroll, assuming payroll increases of 4% per year during the first 15 years of the amortization period and 0% per year during the remaining 15 years. Each change in UAAL will be amortized over the greater of 20 years or the remaining amortization period for the initial UAAL, as a level percent of payroll assuming payroll increases 0% per year during the final 15 years of the amortization period and 4% per year for all years prior to the final 15 years. The remaining amortization period at December 31, 2002, is 22 years.

Three-Year Trend Information for the Retirement System

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/02	\$ 16,159,022	73.4%	\$ 11,761,210
12/31/01	13,751,022	79.3	7,457,507
12/31/00	11,314,078	116.0	4,617,629

**NOTE 7 - Employees' Retirement Systems (Continued)**

**a. Primary Government (Continued)**

**6. Police Guarantee Trust**

The Police Guarantee Trust was established on February 26, 2000, by the City-Parish and the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS) as the result of the voluntary transfer of 637 public safety employees from CPERS to the Municipal Police Employees' Retirement System (MPERS), as a single-employee defined benefit pension plan. 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 CPERS Board of Trustees established a separate Police Guarantee Trust to administer benefits to the transferred officers. 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. An initial investment of \$24.6 million was moved from the CPERS trust to the Police Guarantee Trust for the future administration of the benefits.

The December 31, 2002, actuarial valuation was conducted using the Aggregate Actuarial Cost Method. Under this method the excess actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called normal cost. The actuarial accrued liability is equal to the actuarial value of assets. The December 31, 2002, actuarial valuation concluded the trust had an actuarial loss of \$847,041 which will increase future normal costs by \$112,913. The allocation was based on earnings of the group. Significant actuarial assumptions include: (1) an investment return of 8% compounded annually on plan assets and (2) salary increases of 4% compounded annually due to inflation, longevity and merit increases. For the year ended December 31, 2002, the City-Parish made contributions of \$55,955 to the trust, equal to the annual required contribution. The City-Parish had no net pension obligation with respect to the Police Guarantee Trust under GASB Statement No. 27 at December 31, 2002.

**7. Municipal Police Employees' Retirement System (MPERS)**

The City-Parish contributes to the Municipal Police Employees' Retirement System (MPERS) Pension Plan, a cost sharing multiple-employer defined benefit pension plan 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. Section 6 of this note 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 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, 8550 United Plaza Blvd., Suite 501, Baton Rouge, Louisiana 70809-0200.

**Funding Policy**

Contributions for all members and employers are established by state statute and may be amended by state statute when necessary. Plan members contribute 7.5% of earned compensation while employers contribute 9% of earned compensation excluding certain overtime, but including state supplemental pay. The City-Parish's contributions to MPERS for the years ended December 31, 2002, 2001, and 2000, were \$2,290,190, \$2,273,924 and \$1,896,912, respectively. This was equal to the statutorily required contributions. The City-Parish had no net pension obligation with respect to MPERS under GASB Statement No. 27 at December 31, 2002.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 7 - Employees' Retirement Systems (Continued)**

**b. Component Units**

**1. Capital Transportation Corporation Pension Plan**

a. Plan Description

Employees of Capital Transportation Corporation (CTC) are members of the Capital Transportation Corporation Pension Trust Fund ("Plan"), a defined-benefit single employer pension plan. The Plan is administered by a local bank under the direction of a Board of Trustees. CTC issues a Comprehensive Annual Financial Report (CAFR) which includes the financial statements and required supplementary information for CTC's Pension Trust Fund. CTC has adopted the reporting provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. CTC's financial reports may be obtained by writing to:

Capital Transportation Corporation  
Dona McLean, Finance Director  
2250 Florida Boulevard  
Baton Rouge, LA 70802

Because CTC issues its own CAFR with detailed disclosures on the operations of its Pension Trust Fund and because said fund is immaterial to the Primary Government, the City-Parish has chosen to provide limited disclosure in accordance with the reporting provisions of GASB Statement No. 25 and No. 27.

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CTC's Pension Trust Fund are prepared using the accrual basis of accounting. Contributions from CTC and their employees are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

CTC's Pension Trust Fund investments, consisting of mutual funds, are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Corporation's annual pension cost and net pension asset for the year ended December 31, 2002, was as follows:

Annual required contribution	\$ 217,556
Interest on net pension asset	(49,768)
Adjustment to annual required contribution	<u>69,005</u>
Annual pension cost	236,793
Contributions made	<u>339,946</u>
Increase (decrease) in net pension asset	103,153
Net pension asset beginning of year	<u>732,450</u>
Net pension asset end of year	<u>\$ 835,603</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 7 - Employees' Retirement Systems (Continued)**

**b. Component Units (Continued)**

**1. Capital Transportation Corporation Pension Plan (Continued)**

b. Summary of Significant Accounting Policies (Continued)

Trend Information for the Capital Transportation Corporation's  
Pension Trust Fund

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Asset</u>
12/31/02	\$236,793	143.6%	\$835,603
12/31/01	118,237	251.8	732,450
12/31/00	100,051	296.8	553,003

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

The district attorney and assistant attorneys, whose salaries are paid by the State of Louisiana, and the Office of the District Attorney, are members of the Louisiana District Attorney's Retirement System. This retirement system is a multiple employer cost sharing, statewide public employee retirement system administered and controlled by a separate board of trustees.

The Louisiana District Attorneys' Retirement System (LDARS) provides retirement benefits as well as disability and survivor benefits. Benefits are established and amended by state statute. The LDARS issues a publicly available financial report that includes financial statements and required supplementary information for the LDARS. That report may be obtained by writing to the Louisiana District Attorneys' Retirement System, 1645 Nicholson Drive, Baton Rouge, Louisiana 70802, or by calling (225) 267-4824.

Plan members are required to contribute 7.0% of their annual covered salary and the district attorney is required to contribute at an actuarially determined rate. Member contributions and employer contributions for the LDARS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. There were no employer contributions required for 2002 or 2001.

Certain other employees, whose salaries are paid by the Office of the District Attorney, are members of the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System. The District Attorney's contributions for the year ended December 31, 2002, 2001, and 2000 were \$229,051, \$208,622, and \$273,983, respectively. Additional information on this system is included in Note 7(a)(1) above.

Trend Information for the District Attorney of the Nineteenth Judicial District Defined-Benefit  
Pension Plan for Members Enrolled in the City of Baton Rouge and  
Parish of East Baton Rouge Employees' Retirement System

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/02	\$325,278	70.4%	\$218,548
12/31/01	278,199	76.1	122,320
12/31/00	243,950	112.4	55,857

**NOTE 7 - Employees' Retirement Systems (Continued)**

**b. Component Units (Continued)**

**3. Nineteenth Judicial District Court Pension Plans**

Louisiana State Employees' Retirement System

The employees of the Commissioners' offices, whose salaries are paid from appropriations from the State of Louisiana, are members of the Louisiana State Employees' Retirement System ("System"), a public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees which is administered and controlled by a separate board of trustees. The system provides retirement and disability benefits, 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. The Louisiana State Employees' Retirement System 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.

Plan members are required by state statute to contribute 7.5% of gross salary to which the Commissioners' office adds 13.0% employer's match. The Commissioners' offices' statutory and actual contributions for the year ending June 30, 2002, 2001, and 2000 were \$23,221, \$23,095, and \$21,898, respectively.

Louisiana Clerk of Court Retirement and Relief Fund

Other court employees, whose salaries are expenditures of the Judicial Expense Fund are members of the Louisiana Clerk of Court Retirement and Relief Fund. See section b(5) of this note for disclosure on this multiple-employer cost-sharing PERS.

The Nineteenth Judicial District Court's contributions to the system for the years ended June 30, 2002, 2001 and 2000, were \$34,784, \$50,203, and \$20,131, respectively, which was equal to the required contributions for each year.

**4. Nineteenth Judicial District Indigent Defender Board Pension Plan**

The Board contracted with A.G. Edwards in 1992 for a pension plan that paid 7.7% of the employees salary into a fully vested fund for each employee. This is a defined contribution plan and each employee will receive the amount in his individual fund at retirement. The Board pays all of the 7.7% contribution. There is no unfunded portion at December 31, 2002. Contributions during 2002, which were 100% funded, were \$94,823.

**5. East Baton Rouge Parish Clerk of Court Pension Plan**

Substantially all employees participate in the Louisiana Clerk of Courts Retirement and Relief Fund ("Fund"), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate Board of Trustees. Plan members are required by state statute to contribute 8.25% of their annual covered salary and the E.B.R. Clerk of Court is required to contribute at an actuarially determined rate. The current rate is 10% of covered payroll. Contributions also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. Contribution requirements of both members and employers are established and amended by state statute. The E.B.R. Clerk of Court's contributions to the system for the years ending June 30, 2002, 2001, and 2000, were \$498,839, \$441,897, and \$469,890 respectively. These contributions were equivalent to the required contributions for each fiscal year.

Effective July 1, 1999, the East Baton Rouge Parish Clerk of Court could elect to pay all or a portion of the 8.25% employee retirement contribution which would otherwise be deducted from the employees' salary. This election can be changed annually by the Clerk. The East Baton Rouge Parish Clerk of Court elected to implement this policy for the years ended June 30, 2002 and 2001. The contributions to the System under this election were \$403,648 and \$359,650, respectively.

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, 11745 Bricksome Avenue, Suite B1, Baton Rouge, LA 70816.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 8 - Council Members Compensation**

Each Council Member receives monthly compensation in accordance with The Plan of Government. Compensation is currently \$300 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)) The following is a list of Council Members with gross wages, including auto allowance that was reported as paid in year 2002.

District 1	Wayne Carter	\$13,200
District 2	Ulysses Z. Addison, Jr.	13,200
District 3	Pat Culbertson	13,200
District 4	Joseph "Joe" Greco	13,200
District 5	Charles Kelly	13,200
District 6	Martha J. Tassin	13,200
District 7	Byron Sharper	13,200
District 8	J. Michael "Mike" Walker	13,200
District 9	Darrell P. Ourso	13,200
District 10	Lorri Burgess Council President Pro-Tempore	13,200 18,000
District 11	David J. Boneno	13,200
District 12	James T. "Jim" Benham	13,200

**NOTE 9 - Postemployment Benefits**

City-Parish employees are eligible to continue participation in the government's health, dental and life insurance programs upon retirement.

**a. Health and Dental Benefits**

All classified and unclassified employees of the City-Parish may at their option participate in the employees' group health and dental self insurance programs. Since 1998, employees are participating in the point-of-service health maintenance plan. Employees may also participate in the indemnity plan for dental benefits. Upon retirement the employee may continue his coverage with the same benefits payable to active employees. During 2002, the minimum premium plan was funded with employees and retirees contributing 35% of the premium and the City-Parish contributing 65% of the premium. Retirees may continue coverage in accordance with Parish Resolution 10179 adopted by the Parish Council on December 13, 1972. The City-Parish's portion of the postretirement benefit for health and dental coverage is funded on a pay-as-you-go basis from the General Fund-Risk Management budget.

During 2002, the government recognized expenditures for postretirement health and dental benefits as follows:

	<u>Average Number of Participants</u>	<u>Amount</u>
Health	1,620	\$5,899,272
Dental	1,355	361,261

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 9 - Postemployment Benefits (Continued)**

**b. Life Insurance Benefits**

In accordance with City Resolution 5942 and Parish Resolution 12478 adopted by the respective councils on April 14, 1976, all City-Parish employees who retired after May 1, 1976, have \$3,000 of term life insurance coverage. As of December 31, 2002, approximately 1,601 retirees had the \$3,000 coverage with Prudential Life Insurance Company.

The cost of this insurance is paid by the City-Parish through an actuarially determined monthly assessment of 70 cents per active employee. The premium is paid into an Insurance Continuance Fund Account. At December 31, 2002, the balance in the Insurance Continuance Account was approximately \$37,000.

**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 2002:

	Balance			Balance	Due Within
	<u>1/1/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/02</u>	<u>One Year</u>
<b><u>Governmental Activities:</u></b>					
Excess revenue contracts, loans and notes	\$ 76,897,048	\$ 73,450,000	\$ 72,508,548	\$ 77,838,500	\$ 2,045,500
Deferred gain on refunding	--	987,729	35,276	952,453	--
Revenue bonds payable, gross	137,235,000	--	9,035,000	128,200,000	9,715,000
Less: Intragovernment payable	(57,687,938)	--	(5,134,522)	(52,553,416)	(5,556,216)
Compensated absences payable	9,606,366	4,642,988	3,651,561	10,597,793	146,797
Obligation under capital leases (Note 14)	1,267,010	--	1,125,901	141,109	135,941
Claims and judgments payable (Note 13)	33,630,692	10,570,455	17,763,135	26,438,012	--
Employee benefits payable (Note 13)	4,739,535	13,611,638	13,390,815	4,960,358	4,960,358
Arbitrage payable for governmental fund types (Note 10)	168,258	--	160,859	7,399	7,399
Net pension obligation (Note 7)	<u>5,486,502</u>	<u>2,992,005</u>	<u>--</u>	<u>8,478,507</u>	<u>--</u>
Total governmental activities	<u>\$ 211,342,473</u>	<u>\$ 106,254,815</u>	<u>\$ 112,536,573</u>	<u>\$ 205,060,715</u>	<u>\$ 11,454,779</u>
<b><u>Business-Type Activities:</u></b>					
Excess revenue contracts, loans and notes	\$ 1,184,672	\$ 3,750,633	\$ 38,800	\$ 4,896,505	\$ 84,700
Revenue bonds payable	257,765,000	--	7,735,000	250,030,000	8,345,000
Deferred amount on refunding	(2,468,095)	--	(310,874)	(2,157,221)	--
Revenue bonds payable from City issues	57,687,938	--	5,134,522	52,553,416	5,556,216
Landfill closure and postclosure care liability (Note 19)	7,378,798	2,481,062	--	9,859,860	--
Compensated absences payable	811,332	424,447	261,397	974,382	974,382
Net pension obligation (Note 7)	<u>1,169,092</u>	<u>629,118</u>	<u>--</u>	<u>1,798,210</u>	<u>--</u>
Total business-type activities	<u>\$ 323,528,737</u>	<u>\$ 7,285,260</u>	<u>\$ 12,858,845</u>	<u>\$ 317,955,152</u>	<u>\$ 14,960,298</u>



**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**1. Summary of Changes in Long-Term Debt (Continued)**

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 \$146,797 of compensated absences, \$119,739 of obligation under capital leases, and \$203,442 of net pension obligation for internal service funds are included in the above amounts. Also, for the governmental activities, compensated absences, obligation under capital leases, arbitrage payable, and net pension obligation are liquidated by the governmental fund in which the liability is incurred. Claims and judgments payable and employee benefits payable are liquidated by the General Fund.

**2. Schedule of Bonds Payable**

The following is a schedule of bonds payable for the primary government at December 31, 2002:

	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Authorized and Issued</u>	<u>Outstanding</u>
<b>Governmental Activities:</b>					
<u>Excess revenue contracts, loans and notes</u>					
City of Baton Rouge:					
State Municipal Police Employees					
Retirement System Note	Quarterly	02/26/00	10/01/2002	\$ 72,738,769	\$ --
2002A Variable Rate Taxable Refunding	Quarterly	05/17/02	01/01/2030	25,900,000	25,900,000
2002B Fixed Rate Taxable Refunding	01/15-07/15	10/01/02	01/15/2029	47,550,000	47,550,000
Parish of East Baton Rouge:					
1982 Jail Project Contract	06/15-12/15	12/15/82	06/15/2002	150,000	--
LA Community Development Authority	Monthly	08/11/99	09/30/2020	<u>7,643,873</u>	<u>4,388,500</u>
Total excess revenue contracts, loans and notes				<u>153,982,642</u>	<u>77,838,500</u>
<u>Revenue bonds</u>					
City of Baton Rouge:					
1993 Public Improvement Sales Tax	02/01-08/01	10/01/93	08/01/2018	4,000,000	3,190,000
1997 Public Improvement Sales Tax	02/01-08/01	10/01/97	08/01/2017	19,325,000	11,390,000
1998A Public Improvement Sales Tax	02/01-08/01	11/01/98	08/01/2016	94,450,000	87,035,000
2001A Public Improvement Sales Tax	02/01-08/01	08/15/01	08/01/2026	23,625,000	23,220,000
Less: debt recorded in business-type activities				(103,245,452)	(52,553,416)
Parish of East Baton Rouge:					
1998C Public Improvement Sales Tax	02/01-08/01	11/01/98	08/01/2008	<u>4,600,000</u>	<u>3,365,000</u>
Total revenue bonds				<u>42,754,548</u>	<u>75,646,584</u>
Total governmental activities				<u>196,737,190</u>	<u>153,485,084</u>
<b>Business-Type Activities:</b>					
<u>Excess revenue contracts, loans and notes</u>					
City of Baton Rouge:					
LA Community Development Authority (Airport)	Monthly	10/04/2001	11/30/2029	<u>4,936,905</u>	<u>4,896,505</u>
<u>Revenue bonds</u>					
City of Baton Rouge:					
Revenue bonds payable from City issues				103,245,452	52,553,416

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(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>
<b>Business-Type Activities (Continued):</b>					
<u>Revenue bonds (Continued)</u>					
Parish of East Baton Rouge:					
Sewer sales tax bonds:					
1993 Public Improvement Sales Tax	02/01-08/01	03/01/93	02/01/2018	\$ 30,200,000	\$ 24,370,000
1993A Public Improvement Sales Tax	02/01-08/01	10/01/93	02/01/2018	70,000,000	55,540,000
1995 Public Improvement Sales Tax	02/01-08/01	08/01/95	02/01/2020	36,000,000	33,690,000
1996 Public Improvement Sales Tax	02/01-08/01	03/01/96	02/01/2021	65,000,000	59,725,000
1998B Public Improvement Sales Tax	02/01-08/01	11/01/98	02/01/2016	16,825,000	16,440,000
1999 Public Improvement Sales Tax	02/01-08/01	08/01/99	02/01/2024	43,000,000	39,760,000
2001B Public Improvement Sales Tax	02/01-08/01	08/15/01	02/01/2026	20,000,000	19,945,000
Greater Baton Rouge Parking Authority:					
1978 Parking Garage	01/01-07/01	01/01/78	07/01/2003	<u>6,875,000</u>	<u>560,000</u>
Total revenue bonds				<u>391,145,452</u>	<u>302,583,416</u>
Total business-type activities				<u>396,082,357</u>	<u>307,479,921</u>
Total all bonds, contracts, loans and notes				<u>\$592,819,547</u>	<u>\$460,965,005</u>

The City-Parish is in compliance with all legal debt covenants at December 31, 2002.

**3. Changes in Bonds Payable**

	<u>Outstanding January 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding December 31, 2002</u>
<b>Governmental Activities:</b>				
<u>Excess revenue contracts, loans and notes</u>				
City of Baton Rouge:				
State Municipal Police Employees				
Retirement System Note	\$ 71,356,024	\$ --	\$71,356,024	\$ --
2002A Variable Rate Taxable Refunding	--	25,900,000	--	25,900,000
2002B Fixed Rate Taxable Refunding	--	47,550,000	--	47,550,000
Parish of East Baton Rouge:				
1982 Jail Project Contract	16,024	--	16,024	--
LA Community Development Authority	<u>5,525,000</u>	--	<u>1,136,500</u>	<u>4,388,500</u>
Total excess revenue contracts, loans and notes	<u>76,897,048</u>	<u>73,450,000</u>	<u>72,508,548</u>	<u>77,838,500</u>
<u>Revenue bonds</u>				
City of Baton Rouge:				
1993 Public Improvement Sales Tax	3,310,000	--	120,000	3,190,000
1997 Public Improvement Sales Tax	13,225,000	--	1,835,000	11,390,000
1998A Public Improvement Sales Tax	93,240,000	--	6,205,000	87,035,000
2001A Public Improvement Sales Tax	23,625,000	--	405,000	23,220,000
Less: debt recorded in business- type activities	(57,687,938)	--	(5,134,522)	(52,553,416)
Parish of East Baton Rouge:				
1998C Public Improvement Sales Tax	<u>3,835,000</u>	--	<u>470,000</u>	<u>3,365,000</u>
Total revenue bonds	<u>79,547,062</u>	--	<u>3,900,478</u>	<u>75,646,584</u>
Total governmental activities	<u>156,444,110</u>	<u>73,450,000</u>	<u>76,409,026</u>	<u>153,485,084</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**3. Changes in Bonds Payable (Continued)**

	<u>Outstanding January 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding December 31, 2002</u>
<b>Business-Type Activities:</b>				
<u>Excess revenue contracts, loans and notes</u>				
City of Baton Rouge:				
LA Community Development Authority (Airport)	\$ 1,184,672	\$ 3,750,633	\$ 38,800	\$ 4,896,505
<u>Revenue bonds</u>				
City of Baton Rouge:				
Revenue bonds payable for City issues	57,687,938	--	5,134,522	52,553,416
Parish of East Baton Rouge:				
Sewer sales tax bonds:				
1993 Public Improvement Sales Tax	25,265,000	--	895,000	24,370,000
1993A Public Improvement Sales Tax	57,820,000	--	2,280,000	55,540,000
1995 Public Improvement Sales Tax	34,175,000	--	485,000	33,690,000
1996 Public Improvement Sales Tax	61,485,000	--	1,760,000	59,725,000
1998B Public Improvement Sales Tax	16,810,000	--	370,000	16,440,000
1999 Public Improvement Sales Tax	41,125,000	--	1,365,000	39,760,000
2001B Public Improvement Sales Tax	20,000,000	--	55,000	19,945,000
Greater Baton Rouge Parking Authority:				
1978 Parking Garage	<u>1,085,000</u>	<u>--</u>	<u>525,000</u>	<u>560,000</u>
Total revenue bonds	<u>315,452,938</u>	<u>--</u>	<u>12,869,522</u>	<u>302,583,416</u>
Total business-type activities	<u>316,637,610</u>	<u>3,750,633</u>	<u>12,908,322</u>	<u>307,479,921</u>
Total all bonds, contracts, loans and notes	<u>\$473,081,720</u>	<u>\$77,200,633</u>	<u>\$89,317,348</u>	<u>\$460,965,005</u>

**4. Debt Service Requirements to Maturity**

The following is a summary of bonded debt at December 31, 2002, and interest requirements to maturity:

	<u>Debt Payable 12/31/02</u>	<u>Interest Requirements to Maturity</u>	<u>Total</u>
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
LA Community Development Authority Airport Loan	\$ 4,896,505	\$ 1,938,627	\$ 6,835,132
2002A Variable Rate Taxable Refunding (4.975% Avg.)**	25,900,000	20,581,077	46,481,077
2002B Fixed Rate Taxable Refunding (5.73%)**	47,550,000	43,518,695	91,068,695
Parish of East Baton Rouge:			
LA Community Development Authority	<u>4,388,500</u>	<u>580,354</u>	<u>4,968,854</u>
Total excess revenue contracts, loans and notes	<u>82,735,005</u>	<u>66,618,753</u>	<u>149,353,758</u>
<u>Revenue bonds</u>			
City of Baton Rouge:			
1993 Public Improvement Sales Tax (5.13%)*	3,190,000	1,510,740	4,700,740
1997 Public Improvement Sales Tax (4.79%)*	11,390,000	2,473,942	13,863,942
1998A Public Improvement Sales Tax (4.43%)**	87,035,000	28,660,325	115,695,325
2001A Public Improvement Sales Tax (4.85%)**	23,220,000	16,419,001	39,639,001
Parish of East Baton Rouge:			
1998C Public Improvement Sales Tax (4.11%)**	3,365,000	498,966	3,863,966

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**4. Debt Service Requirements to Maturity (Continued)**

	<u>Debt Payable</u> <u>12/31/02</u>	<u>Interest</u> <u>Requirements</u> <u>to Maturity</u>	<u>Total</u>
<u>Revenue bonds (Continued)</u>			
Parish of East Baton Rouge (Continued):			
Sewer sales tax bonds:			
1993 Public Improvement Sales Tax (5.49%)*	\$ 24,370,000	\$ 11,624,763	\$ 35,994,763
1993A Public Improvement Sales Tax (5.13%)*	55,540,000	24,367,264	79,907,264
1995 Public Improvement Sales Tax (5.97%)*	33,690,000	23,849,463	57,539,463
1996 Public Improvement Sales Tax (5.66%)*	59,725,000	34,937,931	94,662,931
1998B Public Improvement Sales Tax (4.66%)**	16,440,000	6,105,350	22,545,350
1999 Public Improvement Sales Tax (5.69%)**	39,760,000	30,263,101	70,023,101
2001B Public Improvement Sales Tax (5.02)**	19,945,000	17,554,382	37,499,382
Greater Baton Rouge Parking Authority:			
1978 Parking Garage (6.29%)*	<u>560,000</u>	<u>35,700</u>	<u>595,700</u>
 Total revenue bonds	 <u>378,230,000</u>	 <u>198,300,928</u>	 <u>576,530,928</u>
 Total all bonds, contracts, loans and notes	 <u>\$460,965,005</u>	 <u>\$264,919,681</u>	 <u>\$725,884,686</u>

\* Net interest cost (NIC)

\*\* True interest cost (TIC)

During 1998, the City-Parish changed its policy for awarding competitive bids for sales tax revenue bonds from net interest cost to true interest cost.

**5. Debt Service Requirements to Maturity**

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

Year	<u>Excess Revenue Contracts, Loans and Notes</u>			<u>Revenue Bonds</u>			Total Principal and Interest All Bonds
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003	\$ 2,130,200	\$ 3,424,225	\$ 5,554,425	\$ 18,060,000	\$ 19,738,005	\$ 37,798,005	\$ 43,352,430
2004	1,862,100	3,890,938	5,753,038	18,710,000	18,671,470	37,381,470	43,134,508
2005	1,938,000	3,832,286	5,770,286	19,760,000	17,680,629	37,440,629	43,210,915
2006	2,015,200	3,766,205	5,781,405	19,665,000	16,568,172	36,233,172	42,014,577
2007	2,101,800	3,692,772	5,794,572	20,715,000	15,493,486	36,208,486	42,003,058
2008-2012	12,149,700	17,096,925	29,246,625	106,085,000	61,489,376	167,574,376	196,821,001
2013-2017	13,254,400	14,177,139	27,431,539	92,670,000	34,858,023	127,528,023	154,959,562
2018-2022	15,814,100	10,512,347	26,326,447	63,850,000	12,109,439	75,959,439	102,285,886
2023-2027	20,925,100	5,667,837	26,592,937	18,715,000	1,692,328	20,407,328	47,000,265
2028-2030	<u>10,544,405</u>	<u>558,079</u>	<u>11,102,484</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>11,102,484</u>
 Total	 <u>\$82,735,005</u>	 <u>\$66,618,753</u>	 <u>\$149,353,758</u>	 <u>\$378,230,000</u>	 <u>\$198,300,928</u>	 <u>\$576,530,928</u>	 <u>\$725,884,686</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**6. Future Year Obligations**

Principal and interest requirements of various bond issues for the year 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>Excess revenue contracts, loans and notes</u>			
City of Baton Rouge:			
LA Community Development Authority (Airport)	\$ 84,700	\$ 116,107	\$ 200,807
2002A Variable Rate Taxable Refunding	480,000	1,270,615	1,750,615
2002B Fixed Rate Taxable Refunding	1,250,000	1,943,442	3,193,442
Parish of East Baton Rouge:			
LA Community Development Authority	<u>315,500</u>	<u>94,061</u>	<u>409,561</u>
Total excess revenue contracts, loans and notes	<u>2,130,200</u>	<u>3,424,225</u>	<u>5,554,425</u>
 <u>Revenue bonds</u>			
City of Baton Rouge:			
1993 Public Improvement Sales Tax	130,000	156,120	286,120
1997 Public Improvement Sales Tax	1,980,000	517,555	2,497,555
1998A Public Improvement Sales Tax	6,660,000	4,441,050	11,101,050
2001A Public Improvement Sales Tax	440,000	1,157,824	1,597,824
Parish of East Baton Rouge:			
1998C Public Improvement Sales Tax	505,000	136,723	641,723
Sewer sales tax bonds:			
1993 Public Improvement Sales Tax	965,000	1,250,877	2,215,877
1993A Public Improvement Sales Tax	2,380,000	2,658,876	5,038,876
1995 Public Improvement Sales Tax	620,000	2,000,388	2,620,388
1996 Public Improvement Sales Tax	1,920,000	3,372,627	5,292,627
1998B Public Improvement Sales Tax	875,000	738,300	1,613,300
1999 Public Improvement Sales Tax	980,000	2,266,573	3,246,573
2001B Public Improvement Sales Tax	45,000	1,005,392	1,050,392
Greater Baton Rouge Parking Authority:			
1978 Parking Garage	<u>560,000</u>	<u>35,700</u>	<u>595,700</u>
Total revenue bonds	<u>18,060,000</u>	<u>19,738,005</u>	<u>37,798,005</u>
Total all bonds, contracts, loans and notes	<u>\$20,190,200</u>	<u>\$23,162,230</u>	<u>\$43,352,430</u>

**7. Legal Debt Margin**

Computation of legal debt margin for general obligation bonds is as follows:

**Governing Authority: City of Baton Rouge**

Ad valorem taxes:

Assessed valuation, 2002 tax rolls \$1,153,809,550

Debt limit: 10% of assessed valuation (for any one purpose) \$ 115,380,955

Debt limit: 15% of assessed valuation (for sewerage purposes) 173,071,432

Debt limit: 35% of assessed valuation (aggregate, all purposes) 403,833,342

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

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**7. Legal Debt Margin (Continued)**

**Governing Authority: Parish of East Baton Rouge**

Ad valorem taxes:

Assessed valuation, 2002 tax rolls	<u>\$2,533,605,400</u>
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Debt limit: 10% of assessed valuation (for any one purpose)	\$ 253,360,540
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Debt limit: 15% of assessed valuation (for sewerage purposes)	380,040,810
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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, 2002 tax rolls	<u>\$2,533,605,400</u>
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Debt limit: 15% of assessed valuation	\$ 380,040,810
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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 general property tax levied for operation of the General Fund. They are payable through excess revenues through the General Fund budget. The debt obligations are issued on the authority of the Metropolitan Council and do not require a referendum from taxpayers.

**8. Parking Revenue Bonds**

On January 1, 1978, Parking Revenue Bonds were issued in the amount of \$6,875,000 for the purpose of constructing a multi-level parking facility for approximately 1,400 vehicles, including the funding of \$600,000 to a debt service reserve and paying \$665,000 interest on the bonds during construction of the project. The bonds do not constitute a pledge of full faith and credit of the City-Parish but are payable solely from the revenues derived from the facility or by subrentals under a sublease of the project. As security for payments, the City-Parish has pledged to dedicate gross receipts derived from the project, as well as its parking revenues from the existing 450 space Plaza Garage, 156 space surface Arena Lot, and designated on-street parking meter revenues, and any additional sums required are unconditionally obligated to be budgeted and paid from the General Fund.

The bonds are a combination serial and term bond issue with serial bonds maturing July 1, 1982, and each year thereafter through the year 1998, in principal amounts ranging from \$150,000 to \$410,000. The term bonds in the amount of \$1,580,000 mature July 1, 2003. Mandatory sinking fund payments were made to retire the term bonds from years 1999-2002. This debt will be totally retired on July 1, 2003.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**9. Governmental Funds 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 all 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 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 for each respective issue, and paying the issuance costs thereof.

These bonds are paid through the City Sales Tax Bonds Debt Service Fund and the Parish Sales Tax 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, 2002, the following issues are outstanding:

<u>Bond Issue</u>	<u>Outstanding 12/31/2002</u>	<u>Primary Purpose of Issue</u>
City of Baton Rouge		
\$ 4,000,000; Series 1993	\$ 3,190,000	Improvements to public buildings and facilities
\$19,325,000; Series 1997	11,390,000	Airport terminal development program and landfill improvements
\$94,450,000; Series 1998A	87,035,000	Advance refunding parity bond issues and improvements to public buildings
\$23,625,000; Series 2001A	<u>23,220,000</u>	Fund local match for the Centroplex expansion project, refund PFC note
Total	<u>\$124,835,000</u>	
Parish of East Baton Rouge:		
\$4,600,000; Series 1998C	<u>\$ 3,365,000</u>	Advance refunding parity bond issues and improvements to public buildings

All of the above governmental fund type 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.

**10. Proprietary Fund Sales Tax Revenue Bonds**

In April 1988, the general electorate authorized an additional parish-wide one-half of one 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.

These bonds are accounted for in the Comprehensive Sewerage System Enterprise 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, 2002, the following issues are outstanding:

<u>Bond Issue</u>	<u>Outstanding 12/31/2002</u>	<u>Primary Purpose of Issue</u>
Parish of East Baton Rouge:		
Sewer Sales Tax Bonds:		
\$30,200,000; Series ST-1993	\$ 24,370,000	Sewerage Capital Improvements Program
\$70,000,000; Series ST-1993A	55,540,000	Sewerage Capital Improvements Program
\$36,000,000; Series ST-1995	33,690,000	Sewerage Capital Improvements Program
\$65,000,000; Series ST-1996	59,725,000	Advance Refunding Parity Bond Issues
\$16,825,000; Series 1998B	16,440,000	Advance Refunding Parity Bond Issues
\$43,000,000; Series 1999	39,760,000	Sewerage Capital Improvements Program
\$20,000,000; Series 2001B	<u>19,945,000</u>	Sewerage Capital Improvements Program
Total	<u>\$249,470,000</u>	

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**10. Proprietary Fund Sales Tax Revenue Bonds (Continued)**

All of the above proprietary fund sales tax revenue bonds issued by the Parish of East Baton Rouge are complete parity bonds and are secured by the net revenues from the special one-half percent sales and use tax dedicated to sewerage purposes.

**11. Obligations of Intragovernmental Agencies**

The City and the Parish has 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 and the Comprehensive Sewerage System Fund have 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.

**a. Greater Baton Rouge Airport District - 1980 Obligation**

On March 15, 1980, the City of Baton Rouge issued \$11,300,000 of Airport Improvement Bonds. Concurrently, the Greater Baton Rouge Airport District signed an \$11,300,000 long-term obligation to the City of Baton Rouge bearing an interest rate of 7.86%. This long-term obligation requires that annual payments be made to the City for the use, possession, and control of the improvements constructed with the bond proceeds. The bonds matured on March 15, 1992, but the long-term obligation to the City remains in effect with semi-annual payments to be made over a 25 year period.

Payments to the City by the Airport District are recorded as miscellaneous revenues in the General Fund. Improvements constructed with the bond proceeds are recorded as assets and as a long-term obligation of the Airport District. Total principal paid prior to 2002 was \$7,515,811. In 2002, a principal payment of \$841,528 reduced the obligation payable to \$2,942,661. Scheduled maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 907,672	\$195,622	\$1,103,294
2004	979,015	121,474	1,100,489
2005	<u>1,055,974</u>	<u>41,499</u>	<u>1,097,473</u>
Total	<u>\$2,942,661</u>	<u>\$358,595</u>	<u>\$3,301,256</u>

**b. Greater Baton Rouge Airport District - 1997 Rates and Charges Obligation**

On October 22, 1997, the City of Baton Rouge issued \$19,325,000 in Public Improvement Sales Tax Revenue Bonds, Series 1997, for the purpose of financing a portion of the costs of construction (\$14,946,000) of certain improvements in the Terminal Development Project as well as other City-Parish construction projects. The Greater Baton Rouge Airport District obligated itself under two negotiated promissory notes and the Amended Intergovernmental Contract (Airport-Airline Lease Agreement) dated November 1, 1997, to make semi-annual payments to the City General Fund over a nine year period. The Airport signed two separate promissory notes to the General Fund, the first note in an amount of \$7,297,000 was pledged from the airport rates and charges, the second note in an amount of \$7,649,000 was pledged from the passenger facility charge (PFC) as authorized by the Federal Aviation Administration.



**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**11. Obligations of Intragovernmental Agencies (Continued)**

**b. Greater Baton Rouge Airport District - 1997 Rates and Charges Obligation (Continued)**

On September 5, 2001 the Airport refinanced its PFC note to the General Fund with a portion of the proceeds of the City of Baton Rouge, August 1, 2001, Public Improvement Sales Tax Revenues Bonds, Series 2001A. The remaining principal amount of \$5,212,000 on the 1997 PFC note was refunded and replaced with the 2001 PFC note. State and local government securities were purchased with the these proceeds and will mature on the dates necessary to service the original 1997 City Debt.

Payments on the Rates and Charges obligation to the City by the Airport District are recorded as miscellaneous revenues in the General Fund and as a long-term obligation of the Airport District. Total principal paid prior to 2002 was \$3,510,500. In 2002, a principal payment of \$973,250 reduced the obligation payable to \$2,813,250. Scheduled maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$1,042,417	\$125,167	\$1,167,584
2004	1,104,667	79,373	1,184,040
2005	<u>666,166</u>	<u>29,978</u>	<u>696,144</u>
 Total	 <u>\$2,813,250</u>	 <u>\$234,518</u>	 <u>\$3,047,768</u>

**c. Greater Baton Rouge Airport District - Passenger Facility Charge Obligation**

The Greater Baton Rouge Airport District is obligated under the Second Amended Intergovernmental Contract dated August 1, 2001, and the Passenger Facility Charge Note of \$5,400,000 to make semi-annual payments to the City General Fund over a twenty-year period. Total principal paid prior to 2002 was \$52,083. In 2002, a principal payment of \$129,167 reduced the obligation payable to \$5,218,750. Scheduled maturities and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 139,167	\$ 258,480	\$ 397,647
2004	151,250	247,347	398,597
2005	164,166	235,247	399,413
2006	176,250	222,113	398,363
2007	191,250	209,748	400,998
2008 and after	<u>4,396,667</u>	<u>1,698,665</u>	<u>6,095,332</u>
 Total	 <u>\$5,218,750</u>	 <u>\$2,871,600</u>	 <u>\$8,090,350</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**11. Obligations of Intragovernmental Agencies (Continued)**

**d. East Baton Rouge Sewerage Commission**

On April 1, 1992, the City of Baton Rouge issued \$85,000,000 in Public Improvement Sales Tax Revenue Bonds, Series 1992A (20 year term), for the purpose of providing funds to finance the acquisition of an undivided interest in the sewerage system owned and/or operated by the East Baton Rouge Sewerage Commission (the "Commission"). The Commission used the proceeds to refund the outstanding portion of the \$27,000,000 Public Improvement Certificates of Indebtedness and to defease the callable portion of the \$70,000,000 Sewer Revenue Bonds, Series 1987. The Commission, through an act of credit sale, repurchased the undivided interest in the sewerage system previously sold to the City of Baton Rouge for \$76,999,452. This transaction is recorded as a long-term obligation in the Comprehensive Sewerage System Fund. Payments to the City by the Commission are required semi-annually over a 19 year period. These payments are recorded as miscellaneous revenues in the General Fund, and will fully offset the impact that the scheduled debt service payments on the \$85,000,000 Public Improvement Sales Tax Revenue Bonds have on the General Fund. Total principal paid prior to 2002 was \$32,230,120. In 2002, a \$3,190,577 principal payment reduced the obligation payable to \$41,578,755. Scheduled maturities and future interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 3,466,960	\$ 3,424,426	\$ 6,891,386
2004	3,766,221	3,138,887	6,905,108
2005	4,095,228	2,828,702	6,923,930
2006	4,453,147	2,491,419	6,944,566
2007	4,842,536	2,124,657	6,967,193
2008 and after	<u>20,954,663</u>	<u>4,145,719</u>	<u>25,100,382</u>
	<u>\$41,578,755</u>	<u>\$18,153,810</u>	<u>\$59,732,565</u>

**12. Louisiana Community Development Authority Loan**

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") for the purpose of providing funds for the construction of the Advanced Traffic Management Facility and other capital programs of the City-Parish. A total of \$7,643,873 was loaned to the Parish on the 1999 program. A total of \$3,255,373 has been repaid, leaving an outstanding balance on this loan of \$4,388,500 as of December 31, 2002. Future debt service is budgeted over an 17 year period at 2.5%.

In 2001, the City applied for an additional LCDA Loan for the Greater Baton Rouge Airport District to provide funds for airport improvements. A total of \$4,936,905 has been loaned to the City and a \$40,400 principal has been repaid. As of December 31, 2002, the airport enterprise fund has recorded a direct obligation of \$4,896,505. Future debt service is budgeted over a 27 year period at 2.5%. Total LCDA authorization for the loan to the Airport is \$9,000,000. Funds are drawn down as the expenses are made on airport projects.

The interest rate on both notes fluctuate weekly with changes in the Bond Market Association (BMA) Municipal Swap Index.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**13. 2002 Refunding of the MPERS Note**

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.

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 judgement attributable to the City-Parish Employees Retirement System (CPERS). These variable-rate derivative bonds bear interest at a weekly rate as determined by the remarketing agent. The weekly rate is the lowest rate of interest which, in the judgment of the remarketing agent, would cause the bonds to have a market value equal to the principal amount plus accrued interest, under prevailing market conditions. Under no circumstances shall the weekly rate exceed the maximum rate of 18%. The bonds, at the discretion of the issuer, are subject to a conversion to a fixed rate or a short-term rate. As of December 31, 2002, the variable rate bonds bore a weekly interest rate of 1.47%. There was a balance of \$954,112 in a Financial Stability Fund at December 31, 2002, to offset interest fluctuations.

On October 1, 2002, the City of Baton Rouge issued \$47,550,000 in fixed rate taxable bonds with a true interest cost (TIC) of 5.73% to refund the remaining two-thirds of the MPERS note. Details of these current year refundings are as follows:

	<u>5-17-02</u> <u>Refunding</u>	<u>10-01-02</u> <u>Refunding</u>
<u>Sources and Use of Funds:</u>		
Sources:		
Principal Proceeds	\$ 25,900,000	\$ 47,550,000
Discount	--	(369,683)
Total Sources	<u>\$ 25,900,000</u>	<u>\$ 47,180,317</u>
Uses:		
MPERS Payoff	\$ 23,444,196	\$ 46,198,248
CPERS Payoff	1,840,463	--
Underwriter's Discount	102,305	366,135
Bond Insurance	323,819	400,702
Issuance Costs	<u>189,217</u>	<u>215,232</u>
Total Uses	<u>\$ 25,900,000</u>	<u>\$ 47,180,317</u>
<u>Cash Flow Difference:</u>		
Old Debt Service Cash Flows	\$ 55,264,135	\$ 103,314,590
New Debt Service Cash Flows	<u>48,662,470</u>	<u>91,068,695</u>
Gross Savings	<u>\$ 6,601,665</u>	<u>\$ 12,245,895</u>
<u>Economic Gain:</u>		
Present Value of Old Debt Service Cash Flows	\$ 28,772,215	\$ 52,722,958
Present Value of New Debt Service Cash Flows *	<u>25,284,569</u>	<u>46,198,248</u>
Present Value Savings	<u>\$ 3,487,646</u>	<u>\$ 6,524,710</u>

\* The above calculation assumes a ten year LIBOR average of 4.975% for the \$25,900,000 variable rate bond issue.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**13. 2002 Refunding of the MPERS Note (Continued)**

**Amortization of Accounting Gain:**

The City recognized an accounting gain of \$987,729 on the above two refundings when the reacquisition price was smaller than the carrying amount of the original obligation. In accordance with GASB 23, this gain must be deferred and amortized over the life of the debt on the entity-wide financial statements. Year 2002 debt service interest expense was reduced by \$35,276 on the Statement of Activities representing the 2002 amortization amount, resulting in the reporting of an additional \$952,453 in total debt on the entity-wide statement of net assets for governmental activities.

**14. Prior Year Refundings - Deferred Amount, Business-Type Activities**

On March 1, 1996, the Parish issued \$65,000,000 of Public Improvement Sales Tax Revenue Bonds, Series ST-1996, to refund and defease in substance the callable portion of the 1989 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1989 (net interest cost rate - 6.933%; principal refunded - \$36,300,000, called February 1, 1999). As a result of the refunding, the City-Parish recognized a Deferred Amount on Refunding of \$2,710,061. This recognition is required by GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. As of December 31, 2002, \$1,453,389 of the Deferred Amount on Refunding was amortized (\$196,801 in 2002 and \$1,256,588 in prior years) resulting in a net Deferred Amount on Refunding of \$1,256,672. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

On November 1, 1998, the Parish issued \$16,825,000 of Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1998B, to refund and defease in substance the callable portion of the 1991 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991 (net interest cost - 6.67%; principal refunded - \$15,690,000, called February 1, 2001). As a result of refunding the callable portion of the \$20,000,000 Public Improvement (Sewer) Sales Tax Revenue Bonds, Series ST-1991 (with the Series ST-1998B bonds), on November 1, 1998, the City-Parish recognized a Deferred Amount on Refunding in the amount of \$1,291,440. This recognition is required by GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. As of December 31, 2002, \$390,891 of the Deferred Amount on Refunding was amortized (\$114,073 in 2002 and \$276,818 in prior years) resulting in a net Deferred Amount on Refunding of \$900,549. This is reflected as a reduction of bonds payable on the balance sheet for the Comprehensive Sewerage System Fund.

**15. 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.

**16. Port Authority Bonds**

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 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.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**a. Primary Government (Continued)**

**17. 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.

Arbitrage rebate calculations made on December 31, 2002, for the City-Parish show arbitrage rebate liabilities to the U.S. Department of Treasury for the following Public Improvement Sales Tax Bonds:

<u>Bond Issue</u>	<u>Arbitrage Liability</u>
<b>Governmental Activities:</b>	
City of Baton Rouge:	
\$ 4,000,000; Series 1993	\$ 4,361
\$ 4,600,000; Series 1998-C	<u>3,038</u>
Total Governmental Activities	<u>\$ 7,399</u>
<b>Business-type Activities:</b>	
Parish of East Baton Rouge:	
\$70,000,000; Series ST-1993-A (Sewer)	\$16,832
\$36,000,000; Series ST-1995 (Sewer)	<u>11,716</u>
Total Business-Type Activities	<u>\$28,548</u>

These business-type activities arbitrage rebate liabilities have been recorded as "Due to Other Governments" in the Comprehensive Sewerage System enterprise fund. The governmental activities arbitrage rebate liability has been included as a long-term liability in the Government-wide Statement of Net Assets.

**18. 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, 2002, there were 60 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$238,000,000.

**b. Component Units**

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

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
<u>District Attorney of the Nineteenth</u>				
<u>Judicial District</u>				
Net pension obligation	<u>\$ 122,320</u>	<u>\$ 96,228</u>	<u>\$ --</u>	<u>\$ 218,548</u>
<u>Nineteenth Judicial District Court</u>				
Compensated absences payable	\$ 533,764	\$ 69,122	\$ --	\$ 602,886
Net pension obligation	<u>6,773</u>	<u>--</u>	<u>--</u>	<u>6,773</u>
Total	<u>\$ 540,537</u>	<u>\$ 69,122</u>	<u>\$ --</u>	<u>\$ 609,659</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**b. Component Units (Continued)**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
<b><u>E.B.R. Parish Family Court</u></b>				
Compensated absences payable	\$ --	\$ 41,973	\$ --	\$ 41,973
Net pension obligation	<u>15,747</u>	<u>10,744</u>	<u>--</u>	<u>26,491</u>
Total	<u>\$ 15,747</u>	<u>\$ 52,717</u>	<u>\$ --</u>	<u>\$ 68,464</u>
<b><u>E.B.R. Parish Juvenile Court</u></b>				
Compensated absences payable	\$ 139,043	\$ 10,568	\$ --	\$ 149,611
Net pension obligation	<u>38,461</u>	<u>25,152</u>	<u>--</u>	<u>63,613</u>
Total	<u>\$ 177,504</u>	<u>\$ 35,720</u>	<u>\$ --</u>	<u>\$ 213,224</u>
<b><u>E.B.R. Parish Clerk of Court</u></b>				
Compensated absences payable	<u>\$ 323,368</u>	<u>\$ 36,405</u>	<u>\$ --</u>	<u>\$ 359,773</u>
<b><u>E.B.R. Parish Coroner</u></b>				
Compensated absences payable	\$ 1,594	\$ --	\$ --	\$ 1,594
Net pension obligation	<u>27,043</u>	<u>11,411</u>	<u>--</u>	<u>38,454</u>
Total	<u>\$ 28,637</u>	<u>\$ 11,411</u>	<u>\$ --</u>	<u>\$ 40,048</u>
<b><u>St. George Fire Protection District</u></b>				
Bonds and notes payable	\$ 2,040,842	\$ 3,590,842	\$ 3,040,842	\$ 2,590,842
Compensated absences payable	442,583	427,020	391,645	477,958
Net pension obligation	<u>39,599</u>	<u>104,182</u>	<u>--</u>	<u>143,781</u>
Total	<u>\$ 2,523,024</u>	<u>\$ 4,122,044</u>	<u>\$ 3,432,487</u>	<u>\$ 3,212,581</u>
<b><u>Brownsfield Fire Protection District</u></b>				
Obligation under capital leases	\$ 31,849	\$ --	\$ 12,222	\$ 19,627
Net pension obligation	<u>7,290</u>	<u>5,169</u>	<u>--</u>	<u>12,459</u>
Total	<u>\$ 39,139</u>	<u>\$ 5,169</u>	<u>\$ 12,222</u>	<u>\$ 32,086</u>
<b><u>Central Fire Protection District</u></b>				
Compensated absences payable	\$ 84,497	\$ 2,054	\$ --	\$ 86,551
Obligation under capital leases	279,052	--	49,003	230,049
Net pension obligation	<u>19,775</u>	<u>12,000</u>	<u>--</u>	<u>31,775</u>
Total	<u>\$ 383,324</u>	<u>\$ 14,054</u>	<u>\$ 49,003</u>	<u>\$ 348,375</u>
<b><u>E.B.R. Parish Fire Protection</u></b>				
<b><u>District No. 6</u></b>				
Bonds payable	\$ 68,000	\$ --	\$ 34,000	\$ 34,000
Compensated absences payable	1,077	--	--	1,077
Obligation under capital leases	104,070	--	23,967	80,103
Net pension obligation	<u>11,460</u>	<u>14,000</u>	<u>--</u>	<u>25,460</u>
Total	<u>\$ 184,607</u>	<u>\$ 14,000</u>	<u>\$ 57,967</u>	<u>\$ 140,640</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 10 - Long-Term Debt (Continued)**

**b. Component Units (Continued)**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
<b><u>Eastside Fire Protection District</u></b>				
Notes payable	\$ 551,500	\$ --	\$ 152,000	\$ 399,500
Compensated absences payable	48,977	6,521	--	55,498
Obligation under capital leases	310,215	--	67,488	242,727
Net pension obligation	<u>2,369</u>	<u>2,631</u>	<u>--</u>	<u>5,000</u>
Total	<u>\$ 913,061</u>	<u>\$ 9,152</u>	<u>\$ 219,488</u>	<u>\$ 702,725</u>
<b><u>Alsen-St. Irma Lee Fire Protection District</u></b>				
Obligation under capital leases	<u>\$ 188,908</u>	<u>\$ --</u>	<u>\$ 40,464</u>	<u>\$ 148,444</u>
<b><u>Capital Region Planning Commission</u></b>				
Compensated absences payable	<u>\$ 25,224</u>	<u>\$ 2,992</u>	<u>\$ --</u>	<u>\$ 28,216</u>
<b><u>Capital Transportation Corporation</u></b>				
Compensated absences payable	\$ 340,060	\$ 26,745	\$ --	\$ 366,805
Claims and judgements payable	751,188	--	573,688	177,500
Other long-term payables	<u>204,569</u>	<u>53,704</u>	<u>--</u>	<u>258,273</u>
Total	<u>\$ 1,295,817</u>	<u>\$ 80,449</u>	<u>\$ 573,688</u>	<u>\$ 802,578</u>
Total component units long-term debt	<u>\$ 6,761,217</u>	<u>\$ 4,549,463</u>	<u>\$ 4,385,319</u>	<u>\$ 6,925,361</u>

**NOTE 11 - Interfund and Intergovernmental Receivables and Payables**

**a. Balances due to/from other funds at December 31, 2002, consist of the following:**

\$ 67,461	Due to the General Fund from the Greater Baton Rouge Airport District representing accrued interest on intragovernmental debt between the Airport District and the City.
18,195,846	Due to the Capital Projects Fund from other governmental funds (Library Board of Control Fund) representing unspent balances on construction projects appropriated in the Capital Projects Fund.
7,542,960	Due to the Comprehensive Sewerage System Fund from other governmental funds (Downtown Development District and B.R. Fire Department Pay Enhancement Fund), other enterprise funds (G.B.R. Parking Authority), and the Greater Baton Rouge Airport District representing short-term loans.
<u>\$ 25,806,267</u>	

Summary of balances due from (to) other funds reported in fund financial statements and net internal balances as reported in the Statement of Net Assets:

	Due From Other Funds	Due To Other Funds	Net Internal Balances
Balance Sheet - Governmental Funds	\$18,263,307	\$(23,917,986)	\$(5,654,679)
Statement of Net Assets - Proprietary Funds	<u>7,542,960</u>	<u>(1,888,281)</u>	<u>5,654,679</u>
Totals	<u>\$25,806,267</u>	<u>\$(25,806,267)</u>	<u>\$ --</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

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

**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>
<b><u>Governmental Activities:</u></b>						
General Fund	\$ --	\$ 600,161	\$225,727	\$13,184,513	\$ 706,017	\$14,716,418
Capital Projects Fund	--	2,234,982	--	61,353	--	2,296,335
Nonmajor governmental Funds	1,854,491	1,881,633	--	30,899,219	845,795	35,481,138
Internal Service Funds	--	--	--	--	2,149	2,149
Adjustments to full accrual basis of accounting	--	1,960,520	--	1,108,776	195,898	3,265,194
<b><u>Business-type Activities:</u></b>						
Greater Baton Rouge Airport District	3,554,386	4,426,226	--	--	--	7,980,612
Comprehensive Sewerage System Fund	428,965	93,077	--	8	--	522,050
Nonmajor enterprise funds	--	<u>1,275,366</u>	--	--	--	<u>1,275,366</u>
Totals	<u>\$5,837,842</u>	<u>\$12,471,965</u>	<u>\$225,727</u>	<u>\$45,253,869</u>	<u>\$1,749,859</u>	<u>\$65,539,262</u>

Summary of balances due from other governments reported on the Statement of Net Assets:

Current assets - Due from other governments	\$55,761,242
Restricted assets - Due from other governments	<u>9,778,020</u>
Totals	<u>\$65,539,262</u>

**c. Receivable and payable balances at year-end between the Primary Government and Component Units were as follows:**

	<u>Due (To)/From Primary Government</u>	<u>Due (To)/From Component Units</u>
<b><u>Primary Government:</u></b>		
General Fund	\$ --	\$ (62,761)
Enterprise Funds:		
Comprehensive Sewerage System Fund	--	116,459
<b><u>Component Units:</u></b>		
Nineteenth Judicial District Indigent Defender Board	62,761	--
Brownsfield Fire Protection District	(96,853)	--
Chaneyville Fire Protection District	(2,516)	--
Alsen-St. Irma Lee Fire Protection District	<u>(17,090)</u>	<u>--</u>
Total	<u>\$ (53,698)</u>	<u>\$ 53,698</u>



**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 12 - Interfund Transfers**

**a. Interfund transfers at December 31, 2002 consist of the following:**

\$ 690,833	From the General Fund to other governmental funds (City Constable Court Costs Fund, Downtown Development District, and Animal Control Center Fund) to subsidize operations.
4,968,730	From the General Fund to the Comprehensive Sewerage System Fund and other enterprise funds (G.B.R. Parking Authority and the Riverside Centroplex Fund) to subsidize operations.
35,514	From the General Fund to other governmental funds (Grants Fund) to provide local match on Federal and State grants.
783,000	From the General Fund to the Capital Projects Fund to provide local match on Federal and State Capital Grants.
6,288,922	From the General Fund to other governmental funds (Taxable Refunding Bonds Fund and Excess Revenue and Limited Tax Fund) to pay debt service requirements on outstanding debt.
235,000	From the General Fund to the Capital Projects Fund to increase funding for the Highland Road Fire Station Project.
3,408,150	From the General Fund to the Capital Projects Fund for major drainage and road projects from gaming tax revenues.
11,420,667	From the General Fund to the Capital Projects Fund for 2002 departmental capital outlays greater than \$5,000 unit cost.
14,422,611	Between the City and Parish Sub Funds created in accordance with <u>The Plan of Government</u> . A legally binding Local Services Agreement exists between the City of Baton Rouge and the Parish of East Baton Rouge whereby they engage jointly to provide certain services or activities, and fulfill certain obligations.
440,000	From the Capital Projects Fund to other governmental funds (Excess Revenue and Limited Tax Fund) to advance pay debt service principal on the LA Community Development Authority Loan.
292,868	From the Capital Projects Fund to the General Fund to return local funds for closed projects.
2,785,956	From the Capital Projects Fund to other enterprise funds (Riverside Centroplex and Solid Waste Disposal Facility Fund) for purchase of capital assets.
4,550,000	From other governmental funds (Library Board of Control Fund) to the Capital Projects Fund to provide funding for building branch libraries.
11,854	From other governmental funds (Library Board of Control Fund) to other governmental funds (Grants Fund) to provide local match on library grants.
414,042	From other governmental funds (E.B.R. Parish Communications District) to other governmental funds (Excess Revenue and Limited Tax Fund) to pay debt service requirements on capital debt.
395,951	From other governmental funds (Emergency Medical Services Fund) to other governmental funds (E.B.R. Parish Communications District) to subsidize operations.
2,059,771	From other governmental funds (Consolidated Garbage Service District and State and Local Government Securities Debt Service Fund) to reimburse the General Fund for debt service payments funded by City sales tax.
412,722	From other governmental funds (Grants Fund) to the Capital Projects Fund to move local match from operating to capital grants.
281,842	From the Greater Baton Rouge Airport District to the General Fund to provide funds for payment of a non-recurring project.
<u>\$ 53,898,433</u>	Total

Summary of transfers in and (out) reported in fund financial statements and net transfers as reported in the Statement of Activities:

	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>(Out)</u>	<u>Net</u> <u>Transfers</u>
Statement of Revenues, Expenditures, and Changes in Fund			
Balances - Governmental Funds	\$46,143,747	\$(53,616,591)	\$(7,472,844)
Statement of Revenues, Expenses, and Changes in Fund			
Net Assets - Proprietary Funds	<u>7,754,686</u>	<u>(281,842)</u>	<u>7,472,844</u>
Totals	<u>\$53,898,433</u>	<u>\$(53,898,433)</u>	<u>\$ --</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 12 - Interfund Transfers (Continued)**

b. The following exchange of funds between the Primary Government and its discretely presented component units during 2002 are classified as external transactions on the Government-wide Statement of Activities:

	Operating Exchanges (To)/From Primary <u>Government</u>	Operating Exchanges (To)/From Component <u>Units</u>
<u>Primary Government:</u>		
General Fund	\$ --	\$(11,013,964)
Non-major Special Revenue Fund		
Parish Transportation Fund	--	(947,230)
<u>Component Units:</u>		
District Attorney of the Nineteenth Judicial District	3,015,320	--
Nineteenth Judicial District Court	3,786,627	--
E.B.R. Parish Family Court	554,990	--
E.B.R. Parish Juvenile Court	686,719	--
Nineteenth Judicial District Indigent Defender Board	148,201	--
E.B.R. Parish Clerk of Court	877,517	--
E.B.R Parish Coroner	647,990	--
Brownsfield Fire Protection District	17,050	--
Central Fire Protection District	36,820	--
E.B.R. Parish Fire Protection District No. 6	68,990	--
Eastside Fire Protection District	32,740	--
Pride Fire Protection District	11,120	--
Chaneyville Fire Protection District	22,230	--
Alsen-St. Irma Lee Fire Protection District	25,750	--
Capital Region Planning Commission	49,250	--
Capital Transportation Corporation	<u>1,979,880</u>	<u>--</u>
Total	<u>\$11,961,194</u>	<u>\$(11,961,194)</u>

**NOTE 13 - 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 all other locations with a combined \$1,000,000 deductible. There were no settlements that exceeded insurance coverage for the past three years.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 13 - Risk Management (Continued)**

**b. Accounting for Risk**

In accordance with GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and the 2002 *Codification of Governmental Accounting and Financial Reporting Standards* of the Governmental Accounting Standards Board, 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 self-insurance risk activities 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 Assets under governmental activities. There were no major changes in insurance coverage for the year ended December 31, 2002.

**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. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, 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. FASB No. 5 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. In accordance with GASB Statement No. 30, *Risk Financing Omnibus*, 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 \$26,438,012 has been recorded as a long-term obligation on the Government-wide Statement of Net Assets for estimated claims and judgments for risk management purposes. Incremental claim costs as required by GASB Statement No. 30, account for approximately 2% of that total. It is the government's policy to pay claims and judgments against the City-Parish from available financial resources of the General Fund.

**d. Employee Benefits**

The City-Parish is self-insured and maintains a minimum premium plan for the group health and dental programs, providing medical and dental coverage to those City-Parish employees who choose to participate. During 2002, the City-Parish contributed 65% of the premium and employees contributed 35%. The government's share of the health and dental premium in the self-insured program is charged to individual budget accounts. Claims paid by the government in excess of the premium base for any given year are covered 100% by the General Fund. Any surplus of premiums over claims within a single fiscal year are recognized as "transfers in" to the General Fund and increase Fund Balance Designated for Insurance.

The estimated value of self-insured claims incurred but not reported or paid as of December 31, 2002, for group health and dental are as follows:

Self-funded medical	\$ 4,760,358
Self-funded dental	<u>200,000</u>
Total estimate	<u>\$ 4,960,358</u>

This amount has been included on the Government-wide Statement of Net Assets for December 31, 2002.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 13 - Risk Management (Continued)**

**e. Changes in Liabilities for Claims**

The following is a reconciliation of changes in long-term claims payable for the years ended December 31, 2002, 2001, and 2000:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b><u>Claims and Judgments Payable:</u></b>			
Beginning Balance	\$33,630,692	\$30,491,378	\$41,809,000
Additions:			
Claims Incurred & Changes in Estimate	10,570,455	17,214,780	3,323,561
Deductions:			
Claims Paid	(5,505,046)	(3,232,943)	(1,309,037)
Claims Dismissed & Changes in Estimate	<u>(12,258,089)</u>	<u>(10,842,523)</u>	<u>(13,332,146)</u>
Ending Balance	<u>\$26,438,012</u>	<u>\$33,630,692</u>	<u>\$30,491,378</u>
 <b><u>Employee Benefits Payable:</u></b>			
Beginning Balance	\$ 4,739,535	\$ 4,082,211	\$ 4,560,643
Additions:			
Claims Incurred	13,611,638	9,789,211	8,579,938
Deductions:			
Claims Paid	<u>(13,390,815)</u>	<u>(9,131,887)</u>	<u>(9,058,370)</u>
Ending Balance	<u>\$ 4,960,358</u>	<u>\$ 4,739,535</u>	<u>\$ 4,082,211</u>

**f. Insurance Designation**

The City-Parish maintains a practice of designating a portion of General Fund fund balance for self-insurance purposes. The designation is made in addition to the annual recurring appropriation of approximately \$9.1 million. The amount designated for insurance at December 31, 2002, was determined as follows:

Insurance Designation, December 31, 2001	\$24,377,867
Less: Appropriations from Insurance Designation for risk management purposes	(3,584,765)
Less: Reduction in designation as a result of health and dental claims exceeding premiums	(2,185,434)
Plus: Additional amount designated for insurance by authority of the Budget Ordinance	713,943
Interest earned on designated funds during 2002	<u>479,364</u>
Insurance Designation, December 31, 2002	<u>\$19,800,975</u>

**NOTE 14 - Lease Commitments**

Leases are accounted for in accordance with Section L20 of the GASB Codification and NCGA Statement No. 5 which require governments to use the criteria contained in FASB Statement No. 13, *Accounting for Leases*, and GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, to classify leases as capital or operating leases. The GASB Codification and NCGA Statement No. 5 also require that assets under capital leases be recorded as capital assets and the lease obligation be recorded as long-term debt in the Government-wide Statement of Net Assets. Component unit leases are recorded in the same manner as those of the Primary Government.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 14 - Lease Commitments (Continued)**

**a. Primary Government - Capital Leases**

The City-Parish has entered into lease agreements to acquire or obtain the use of machinery equipment, office equipment, transportation equipment, and office space. The lease terms range from 36 to 48 months. All equipment leases will expire during the next three years. The amount necessary to reduce net minimum lease payments to present value is calculated by comparing the implicit rate and the incremental rate at the inception of the lease and using the lower of the two rates. The rate used in calculating present value ranges from 4.40% to 7.14%. The lease payments are expected to remain the same throughout the term of the leases. The City-Parish has the option to purchase the equipment at a bargain price at the end of the lease term or in most cases title transfers to the City-Parish at the end of the leases. The lease agreements contain a fiscal funding clause which generally provides for cancellation in the event the Metropolitan Council does not appropriate funds in subsequent years for the lease payments.

During 2002, the City-Parish did not initiate any new lease agreements for the primary government. The majority of lease agreements entered into by the City-Parish in previous years were due to the Equipment Use Charge Program approved by the Council during 1989. The Equipment Use Charge Program is a plan whereby the Fleet Rental and Replacement Fund leases and maintains motorized equipment for use by the Department of Public Works. The Fleet Rental and Replacement Fund charges the user agency an equipment use charge to cover the total cost to operate the equipment including repair costs and purchase price. The objective of this program is to replace motorized equipment in a timely manner while minimizing costs.

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2002:

	<u>Governmental Activities</u>
2003	\$ 139,085
2004	<u>5,240</u>
Total minimum lease payments	144,325
Less: amount representing interest	<u>(3,216)</u>
Present value of net minimum lease payments	<u>\$141,109</u>

Asset balances as of December 31, 2002, for equipment under capital lease by major classes are as follows:

	<u>Capital Assets Governmental Activities</u>
<u>Classes of Equipment</u>	
Machinery equipment	\$ 654,046
Office equipment	5,053
Transportation equipment	<u>79,921</u>
Subtotal	739,020
Less: accumulated depreciation	<u>(378,498)</u>
Total	<u>\$ 360,522</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 14 - Lease Commitments (Continued)**

**b. Component Units - Capital Leases**

**Parish Fire Protection Districts**

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments, as of December 31, 2002, for the parish fire protection districts:

	Brownsfield Fire Protection District	Central Fire Protection District	E.B.R. Parish Fire Protection District No. 6	Eastside Fire Protection District	Alsen- St. Irma Lee Fire Protection District
2003	\$ 13,656	\$ 67,117	\$ 29,690	\$ 81,933	\$ 48,151
2004	6,828	67,117	29,690	81,933	48,151
2005	--	67,117	29,690	81,933	48,151
Thereafter	<u>    --</u>	<u>  67,217</u>	<u>    --</u>	<u>  20,515</u>	<u>  15,862</u>
Total minimum lease payments	20,484	268,568	89,070	266,314	160,315
Less: amount representing interest	<u>  (857)</u>	<u> (38,519)</u>	<u> (8,967)</u>	<u> (23,587)</u>	<u> (11,871)</u>
Present value of net minimum lease payments	<u>\$ 19,627</u>	<u>\$ 230,049</u>	<u>\$ 80,103</u>	<u>\$ 242,727</u>	<u>\$ 148,444</u>

Asset balances as of December 31, 2002, for equipment under capital lease by major classes for the parish fire protection districts are as follows:

<u>Classes of Equipment</u>	Brownsfield Fire Protection District	Central Fire Protection District	E.B.R. Parish Fire Protection District No. 6	Eastside Fire Protection District	Alsen- St. Irma Lee Fire Protection District
Machinery equipment	\$ --	\$ 437,604	\$ 278,628	\$ --	\$ 256,663
Transportation equipment	<u>  48,980</u>	<u>    --</u>	<u>    --</u>	<u>  440,613</u>	<u>    --</u>
Total equipment under capital lease	<u>\$ 48,980</u>	<u>\$ 437,604</u>	<u>\$ 278,628</u>	<u>\$ 440,613</u>	<u>\$ 256,663</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 14 - Lease Commitments (Continued)**

**c. Operating Leases**

**1. Primary Government**

Most operating leases contain one of the following options: (a) the City-Parish can, after the initial lease term, purchase the property at the fair value of the property or (b) the term can be extended on a month-to-month basis until either the City-Parish returns the equipment to the Lessor or the Lessor terminates the lease by a ten day written notice. In most cases, leases are renewed or replaced by other leases. The City-Parish does not have any operating leases with scheduled rent increases.

Operating lease payments during 2002 totaled \$237,645. The future minimum rental payments as of December 31, 2002, total \$54,201 all due in year 2003.

**2. Component Unit - Fire Districts**

St. George Fire Protection District is obligated under several operating leases for two buildings and equipment. These leases will expire over the next three years. Operating lease payments during 2002 totaled \$36,823. The future annual minimum lease payments under these operating leases as of December 31, 2002, is \$28,816.

Central Fire Protection District is obligated under several operating leases which expire over the next five years, for a building and equipment. Operating lease payments during 2002 totaled \$10,174. The future annual minimum lease payments under these operating leases as of December 31, 2002, is \$19,790.

**3. Component Unit - Nineteenth Judicial District Indigent Defender Board**

The Nineteenth Judicial District Indigent Defender Board is obligated under several operating leases which expire over the next two years, for a vehicle and a building. Operating lease payments during 2002 totaled \$12,578. The future annual minimum lease payments under these operating leases as of December 31, 2002, is \$12,250.

**NOTE 15 - 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. The Communications District collected revenues of \$399,863 during the year 2000, \$943,927 during the year 2001 and \$1,589,905 during 2002. These revenues were recognized in the East Baton Rouge Communications District Special Revenue Fund and will be used to pay the costs of technological enhancements to the E911 system. Phase I implementation is complete. Current upgrades are being made to the Baker and Zachary areas to prepare for Phase II implementation. A total of \$214,000 has been spent on Phase I.

**NOTE 16 - Segments of Enterprise Activities**

On January 1, 1978, Parking Revenue bonds were issued in the amount of \$6,875,000 for the purpose of constructing a multi-level parking facility. As security for payments, the City-Parish has pledged to dedicate gross receipts derived from the project, as well as its parking revenues from the existing Plaza Garage, Arena Lot, and designated on-street parking meters. Any additional sums required are unconditionally obligated to be budgeted and paid from the General Fund.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 16 - Segments of Enterprise Activities (Continued)**

**CONDENSED STATEMENT OF NET ASSETS**

Assets:	
Current assets	\$ 609,549
Capital assets	<u>1,960,380</u>
Total assets	<u>2,569,929</u>
Liabilities:	
Current liabilities	623,356
Due to other funds	309
Noncurrent liabilities	<u>32,646</u>
Total liabilities	<u>656,311</u>
Net assets:	
Invested in capital assets, net of related debt	1,400,380
Restricted	583,693
Unrestricted	<u>(70,455)</u>
Total net assets	<u>\$ 1,913,618</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Auto parking charges	\$ 616,119
Miscellaneous revenues	507
Depreciation expense	(402,347)
Other operating expenses	<u>(354,057)</u>
Operating loss	(139,778)
Nonoperating revenues (expenses):	
Investment earnings	6,758
Interest expense	(61,030)
Transfers in	<u>373,730</u>
Change in net assets	179,680
Total net assets - January 1	<u>1,733,938</u>
Total net assets - December 31	<u>\$ 1,913,618</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided by (used for):	
Operating activities	\$ 273,696
Noncapital financing activities	(115,806)
Capital and related financing activities	(598,530)
Investing activities	<u>8,703</u>
Net increase (decrease)	(431,937)
Cash and cash equivalents, January 1	<u>1,033,298</u>
Cash and cash equivalents, December 31	<u>\$ 601,361</u>



**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 17 - Restricted Assets**

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

	Greater Baton Rouge Airport District	Comprehensive Sewerage System	Other Enterprise Total	<u>Total</u>
Cash for capital projects	\$ --	\$ 33,514,177	\$ 3,445,588	\$ 36,959,765
Sales tax revenue bonds construction accounts	--	49,414,232	--	49,414,232
Sales tax revenue bonds debt service accounts	--	35,714,873	--	35,714,873
Accounts receivable - net passenger facility charges	124,628	--	--	124,628
Accrued interest receivable - cash for capital projects	--	157,665	7,262	164,927
Accrued interest receivable - sales tax revenue bonds trustee accounts	--	421,152	--	421,152
Accrued interest receivable - passenger facility charges	5,257	--	--	5,257
Due from other governments - federal and state grants	<u>7,980,612</u>	<u>522,042</u>	<u>1,275,366</u>	<u>9,778,020</u>
 Total restricted assets	 <u>\$ 8,110,497</u>	 <u>\$ 119,744,141</u>	 <u>\$ 4,728,216</u>	 <u>\$ 132,582,854</u>

**NOTE 18 - 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).

FAA regulations require that PFC revenues be recognized and recorded as non-operating revenues in the year the fees are collected by the air carriers (not when the funds are spent). This provision requires that airports accrue PFC revenues at fiscal year-end.

FAA regulations also require certain Financial Statement Disclosures with regard to passenger facility charges. Any PFC revenue received, but not yet spent, along with interest income, is classified as restricted net assets on the Statement of Net Assets. On the Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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, and the FAA approved a total collection of \$9,823,159 over a six year period ending December 1, 1998. On February 14, 1997, the FAA approved an additional collection of \$10,157,206 over an eleven year period commencing June 1, 1997, and ending June 1, 2008. The collection periods were based on information submitted to the FAA by the Airport.

On April 23, 1993, the Airport received approval from the FAA to use PFC revenues to fund certain airport projects. The list of approved projects was amended by the FAA on February 14, 1997.

On July 18, 2000, the FAA approved an additional \$8,912,110 with the date of collection the same, and the estimated charge expiration date of August 1, 2016. The FAA also approved a new project in the amount of \$6,504,390 on July 25, 2000, with an estimated charge expiration date of January 1, 2022. The total amount of approved projects are shown in the following table:

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 18 - Passenger Facility Charges - Greater Baton Rouge Airport District (Continued)**

<u>Description</u>	<u>Project Amount</u>
Terminal Concept Study	\$ 450,000
Noise Mitigation	8,532,260
Terminal Building Plan Specifications	840,899
Terminal Building Renovations/Expansion	
Financing and Interest	19,069,316
Terminal Access Road/Passenger	
Loading Bridges	<u>6,504,390</u>
 Total	 <u>\$ 35,396,865</u>

Since the inception of the PFC, the Airport has recorded the following revenues and expenses through the 2002 fiscal year resulting in a restriction of net assets from passenger facility charges as follows:

Cumulative PFC Revenues (1992 - 2002)	\$ 11,845,467
Proceeds from debt issuance	65,130
Interest earnings	<u>997,485</u>
Total revenues	12,908,082
 * Cumulative PFC administrative fee	 (255,093)
Cumulative expenses for PFC projects (1992 - 2002)	(6,562,580)
Cumulative bond principal payments	(2,658,650)
Cumulative bond interest payments	<u>(1,436,403)</u>
Net assets restricted for PFC's	<u>\$ 1,995,356</u>

\* Prior to 1995 the administrative fee was netted with PFC fees

**NOTE 19 - Solid Waste Disposal Facility Closure And Postclosure Care Liability**

The 1994 fiscal year was the first full year of operation for the new North Landfill, which opened when the old landfill, Devil's Swamp, was closed on October 8, 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 recommended by GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. GASB Statement No. 18 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.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 19 - Solid Waste Disposal Facility Closure And Postclosure Care Liability (Continued)**

The total estimated current cost of closure and postclosure care costs for the Solid Waste Disposal Facility, as prepared by an outside engineering firm, is \$19,155,550. Based on calculations made by the Department of Public Works, the total estimated capacity was changed in 2002 from 33,400,000 cubic yards to 28,628,570 cubic yards with a projected useful life of 42 years. (The previous projected useful life was 49 years.) 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 effects of inflation, changes in technology or changes in applicable laws or regulations.

The Solid Waste Disposal Facility Enterprise Fund recognizes a 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. The expense and liability are based on the number of cubic yards used during the period rather than on the passage of time. As of December 31, 2002, the liability for closure and postclosure care totals \$9,859,860. The liability is based on the landfill capacity used to date of 14,735,869 cubic yards or 51.5% of the landfill capacity. The liability will be financed by the Solid Waste Disposal Facility Enterprise Fund. The remaining estimated cost of closure and postclosure care of \$9,295,690 will be recognized as the remaining estimated capacity is filled. The estimated remaining useful life of the landfill as of December 31, 2002, is 33 years.

**NOTE 20 - 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 Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
<b>Governmental Activities:</b>					
<u>Receivables:</u>					
Property taxes	\$ 3,793,573	\$ --	\$ 9,310,719	\$ --	\$13,104,292
Gross receipts business taxes	4,672,640	--	--	--	4,672,640
Sales taxes	12,399,686	1,711,178	1,247,725	--	15,358,589
Interest and penalties on taxes	65,660	--	--	--	65,660
Accounts	541,525	--	1,141,639	--	1,683,164
Accrued interest	107,865	161,901	410,346	15,904	696,016
Special assessments	40,497	13,957	--	--	54,454
Other	<u>211,879</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>211,879</u>
Gross receivables	21,833,325	1,887,036	12,110,429	15,904	35,846,694
Less: allowance for uncollectibles	<u>(431,192)</u>	<u>--</u>	<u>(1,228,401)</u>	<u>--</u>	<u>(1,659,593)</u>
Net total receivables	<u>\$21,402,133</u>	<u>\$1,887,036</u>	<u>\$10,882,028</u>	<u>\$15,904</u>	<u>\$34,187,101</u>

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

EXHIBIT A - 15  
(Continued)

**NOTE 20 - Other Receivables (Continued)**

	Greater Baton Rouge <u>Airport District</u>	Comprehensive Sewerage <u>System</u>	Nonmajor Enterprise <u>Funds</u>	<u>Total</u>
<b>Business-type Activities:</b>				
<u>Receivables:</u>				
Sales taxes	\$ --	\$2,959,141	\$ --	\$2,959,141
Accounts	975,103	3,411,257	1,694,135	6,080,495
Accrued interest	9,171	709,794	37,456	756,421
Special assessments	<u>--</u>	<u>255,611</u>	<u>--</u>	<u>255,611</u>
Gross receivables	984,274	7,335,803	1,731,591	10,051,668
Less: allowance for uncollectibles	<u>(298,404)</u>	<u>--</u>	<u>(35,000)</u>	<u>(333,404)</u>
Net total receivables	<u>\$685,870</u>	<u>\$7,335,803</u>	<u>\$1,696,591</u>	<u>\$9,718,264</u>

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

Current assets - receivables	\$9,002,300
Restricted assets - receivables	<u>715,964</u>
Totals	<u>\$9,718,264</u>