



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor-President and Members
of the Metropolitan Council
City of Baton Rouge and Parish of East Baton Rouge
Baton Rouge, Louisiana

We have audited the basic financial statements and the combining and individual fund financial statements and schedules of the City of Baton Rouge and Parish of East Baton Rouge, Louisiana (City-Parish) as of and for the year ended December 31, 2001, as listed in the accompanying table of contents as Exhibits A-1 through A-15 and Exhibits C-1 through G-4. These financial statements and schedules are the responsibility of the City-Parish's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit. We did not audit the financial statements of certain component units discretely presented as described in note 1a to the basic financial statements which represent 63.5% of the assets of the component unit column on the statement of net assets. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City-Parish as of December 31, 2001, and the results of its operations and the cash flows of its Proprietary Fund Types for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund statements and schedules, Exhibits C-1 through G-4, present fairly, in all material respects, the financial position of each of the individual funds of the City-Parish, as of December 31, 2001, and the results of operations of such individual funds and the cash flows of the individual Proprietary Fund Types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(f) to the basic financial statements, the City-Parish adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis* - for State and Local Governments, and Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, in 2001.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 10, 2002, on our consideration of internal control over financial reporting of the City-Parish and our tests of its compliance

with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Trend Data on Pension Funding listed as Required Supplemental Information (RSI) in the Table of Contents including Exhibit B-1 through Exhibit B-3, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial information as listed in the Table of Contents as Supplementary Schedules, Exhibit H-1 and Exhibit H-2, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City-Parish. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and the combining and individual fund financial statements and schedules, and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

The accompanying financial information in the Statistical Section is presented for purposes of additional analysis and is not a required part of the financial statements of the City-Parish. The information has not been audited by us, and accordingly, we express no opinion on this information.



Baton Rouge, Louisiana
May 10, 2002

CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City-Parish government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Baton Rouge, Parish of East Baton Rouge Consolidated Government. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the Letter of Transmittal and the financial statements that begin with Exhibit A-1.

FINANCIAL HIGHLIGHTS

- Assets of the City-Parish primary government exceeded its liabilities at the close of the most recent fiscal year by \$794.3 million (*net assets*). Of this amount, \$65 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$68.3 million during 2001. Governmental activities net assets increased \$37.6 million during 2001, primarily as a result of the increase in net capital assets (\$25 million), the retirement of prior-year long-term debt (\$5 million), growth in the parish-wide property tax rolls (\$4 million), an increase in gross receipts business taxes in the City (\$2 million) and other miscellaneous asset increases (\$1.6 million). Additional sewer user fees (\$8 million), landfill user charges (\$0.5 million), contributions from the federal and state governments, subdivision developers, and impact fees (\$20.9 million), and other miscellaneous increases (\$1.3 million) accounted for the rise in net assets in business-type activities.
- As of the close of the current fiscal year, the primary government's governmental funds reported combined ending fund balances of \$269 million, an increase of \$36 million in comparison with the prior year. Approximately 76% of this total amount, \$205 million, is *available for spending* at the City-Parish's discretion (*unreserved fund balance*).
- At December 31, 2001, unreserved fund balance for the general fund was \$67.62 million, or 35% of total 2001 general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. This is the first year that the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, has adopted the new format. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City-Parish's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Exhibits A-1 and A-2) are designed to be similar to private-sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations. Donated infrastructure for the years 1980 - 2000, will be included in the

future. Also, presented in the government-wide financial statements is a total column for the business-type activities of the primary government. Component Units are separate legal governmental entities to which the City-Parish Metropolitan Council may be obligated to provide financial assistance and are presented as a separate column in the government-wide statements and as individual activities in the Fund Financial Statements.

The Statement of Net Assets (Exhibit A-1) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City-Parish is improving or deteriorating.

The Statement of Activities (Exhibit A-2), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are provided by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities and component units.

The governmental activities reflect the City-Parish's basic services including public safety (fire, law enforcement, emergency medical services, emergency preparedness, communications), general administrative services, (executive, legislative, judicial), health and welfare (mosquito control, animal control, garbage and trash collection), street and road maintenance, library, and social services. These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer utilities, airport, parking facility, arena operations, solid-waste disposal facility) where the fee for service typically covers all or most of the cost of operations including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund (see Exhibits A-3 through A-7) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City-Parish has presented the general fund and the capital projects fund as major funds. All non-major governmental funds are presented in one column, titled Other Governmental Funds. Combining financial statements of the non-major funds can be found in the Combining and Individual Fund Statements and Schedules that follow the basic financial statements.

Proprietary Funds encompass both Enterprise and Internal Service funds on the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City-Parish's various functions. The government uses internal service funds to account for its equipment rental and replacement program and the Central Garage fleet maintenance and fuel activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities section in the government-wide financial statements. Combining statements of the non-major individual enterprise and internal service funds can be found in the Combining and Individual Fund Statements following the basic financial statements.

Fund financial statements also allow the City-Parish to present its *fiduciary fund*, a pension trust fund. While this fund represents a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the total column on the business-type fund financial statements for enterprise funds (see Exhibit A-8) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the different measurement focus which is reflected on the page following each statement (see Exhibits A-4 and A-6). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements.

Infrastructure Assets

General capital assets include land, improvements to land, easements, buildings, vehicles, machinery and equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (see Note 6, Exhibit A-15). The City-Parish has capitalized all purchased general capital assets. Donated infrastructure assets (those placed into the government's maintenance through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2000. Donated governmental activities infrastructure accepted into City-Parish maintenance during year 2001 has been capitalized. Governmental Accounting Standards Board Statement No. 34 allows the City-Parish a transitional period for reporting infrastructure assets up to June 15, 2005. The government plans to record all material donated assets within the next two fiscal years. Prior to the implementation of the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time based on the date of acquisition and the life span of the asset in the 2001 financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City-Parish's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Exhibits B-1 through B-3 of this report.

The combining statements referred to earlier in connection with the non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules include Exhibits C-1 through G-4 of the report.

Also included in the report is the Office of Management and Budget A-133 Single Audit auditor reports, findings, and schedules, including the OMB Data Collection Form. This information can be found under the Single Audit section.

Certain supplementary financial information can be found in Exhibits H-1 and H-2 of this report. The supplementary section and the Statistical Section (see Exhibits 1-18) are included for additional information and analysis and do not constitute a part of the audited financial statements.

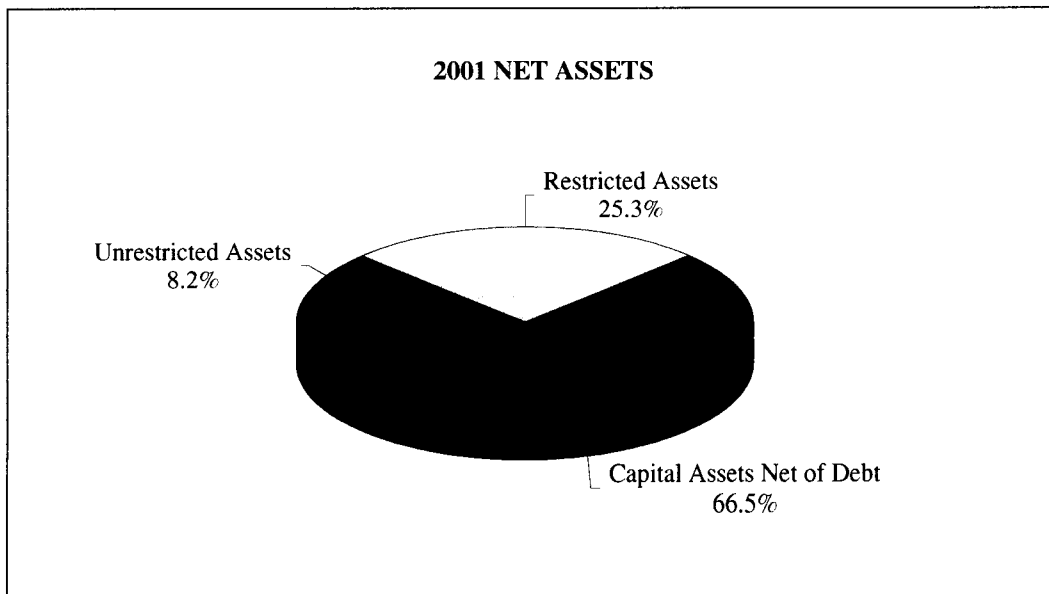
Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for 2001. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes:

City of Baton Rouge, Parish of East Baton Rouge
Condensed Statement of Net Assets
December 31, 2001
(in millions)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets:			
Current and Other Assets	\$325.4	\$ 70.4	\$395.8
Restricted Assets	--	130.1	130.1
Capital Assets	<u>309.7</u>	<u>552.8</u>	<u>862.5</u>
Total Assets	<u>635.1</u>	<u>753.3</u>	<u>1,388.4</u>
Liabilities:			
Current Liabilities	59.3	25.0	84.3
Long-Term Liabilities	<u>200.0</u>	<u>309.8</u>	<u>509.8</u>
Total Liabilities	<u>259.3</u>	<u>334.8</u>	<u>594.1</u>
Net Assets:			
Invested in Capital Assets Net of Debt	241.9	286.3	528.2
Restricted	139.2	61.9	201.1
Unrestricted	<u>(5.3)</u>	<u>70.3</u>	<u>65.0</u>
Total Net Assets	<u>\$375.8</u>	<u>\$418.5</u>	<u>\$ 794.3</u>

For more detailed information see Exhibit A-1, the Statement of Net Assets.



Approximately 66.5% of the City-Parish's net assets as of December 31, 2001, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The City-Parish government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 25.3% of the government's net assets are subject to external restrictions on how they may be used such as property tax approved by the electorate for specific purposes. The remaining 8.2% of net assets, referred to as *unrestricted*, may be used to meet the ongoing obligations of the government to citizens and creditors.

The deficit in unrestricted net assets in governmental activities is caused by the excess of non-capital related long-term debt (the retirement system note and estimated claims and judgements) over current assets that are not externally dedicated for a specific purpose (such as a dedicated property tax or sales tax).

The table below provides a summary of the changes in net assets for the year ended December 31, 2001:

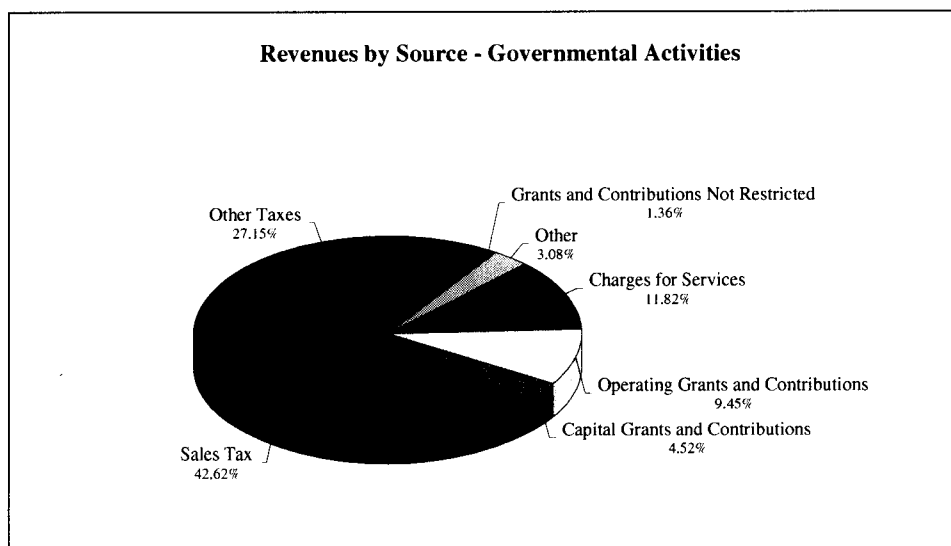
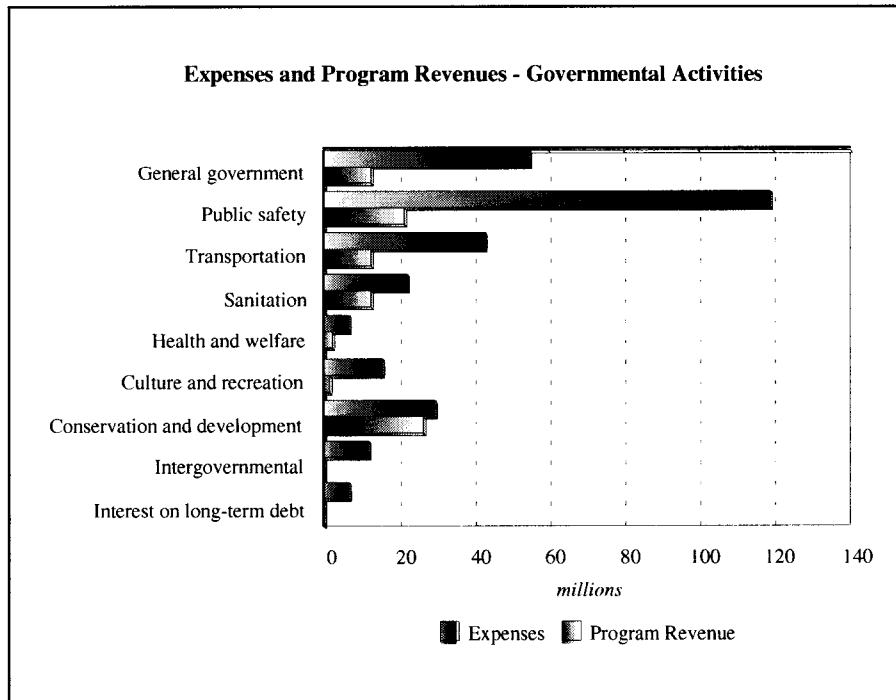
City of Baton Rouge, Parish of East Baton Rouge
Condensed Statement of Changes in Net Assets
For the Year Ended December 31, 2001
(in millions)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program Revenue:			
Charges for Services	\$ 41.8	\$ 60.7	\$102.5
Operating Grants and Contributions	33.4	0.4	33.8
Capital Grants and Contributions	16.0	20.9	36.9
General Revenues:			
Sales Taxes	150.7	29.8	180.5
Other Taxes	96.0	--	96.0
Grants and Contributions Not Restricted to Specific Programs	4.8	--	4.8
Other	<u>10.9</u>	<u>6.1</u>	<u>17.0</u>
Total Revenues	<u>353.6</u>	<u>117.9</u>	<u>471.5</u>
Expenses:			
General Government	54.9	0.8	55.7
Public Safety	118.7	--	118.7
Transportation	42.9	11.0	53.9
Sanitation	22.8	77.6	100.4
Health and Welfare	6.8	--	6.8
Culture and Recreation	16.0	3.4	19.4
Conservation and Development	29.5	--	29.5
Intergovernmental	11.9	--	11.9
Interest on Long-Term Debt	<u>6.9</u>	<u>--</u>	<u>6.9</u>
Total Expenses	<u>310.4</u>	<u>92.8</u>	<u>403.2</u>
Increase in Net Assets Before			
Transfers	43.2	25.1	68.3
Transfers	<u>(5.6)</u>	<u>5.6</u>	<u>--</u>
Increase In Net Assets	37.6	30.7	68.3
Net Assets 1/1/2001	<u>338.2</u>	<u>387.8</u>	<u>726.0</u>
Net Assets 12/31/2001	<u>\$375.8</u>	<u>\$418.5</u>	<u>\$794.3</u>

The government's net assets increased \$68.3 million during the current fiscal year.

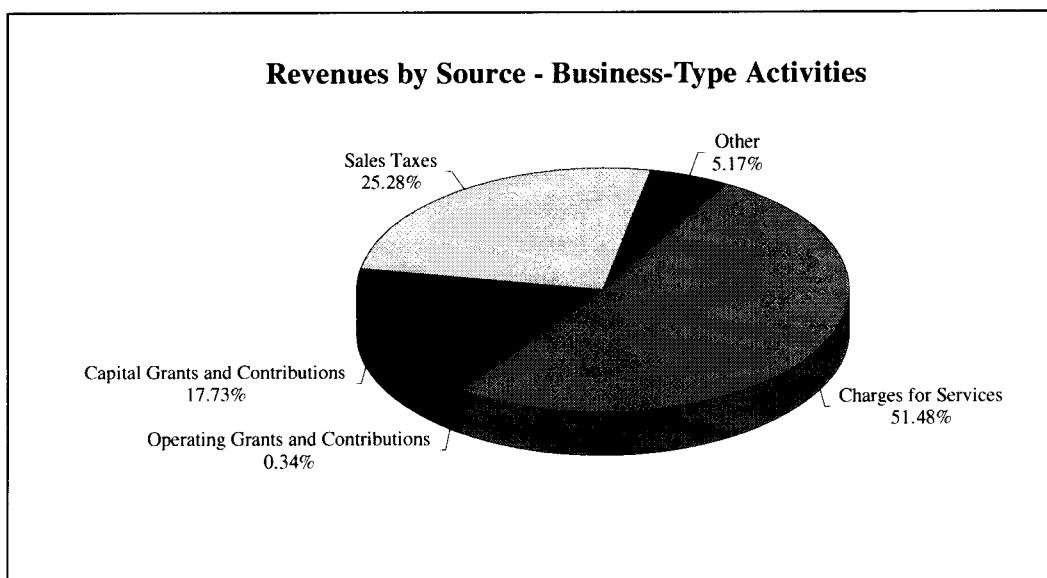
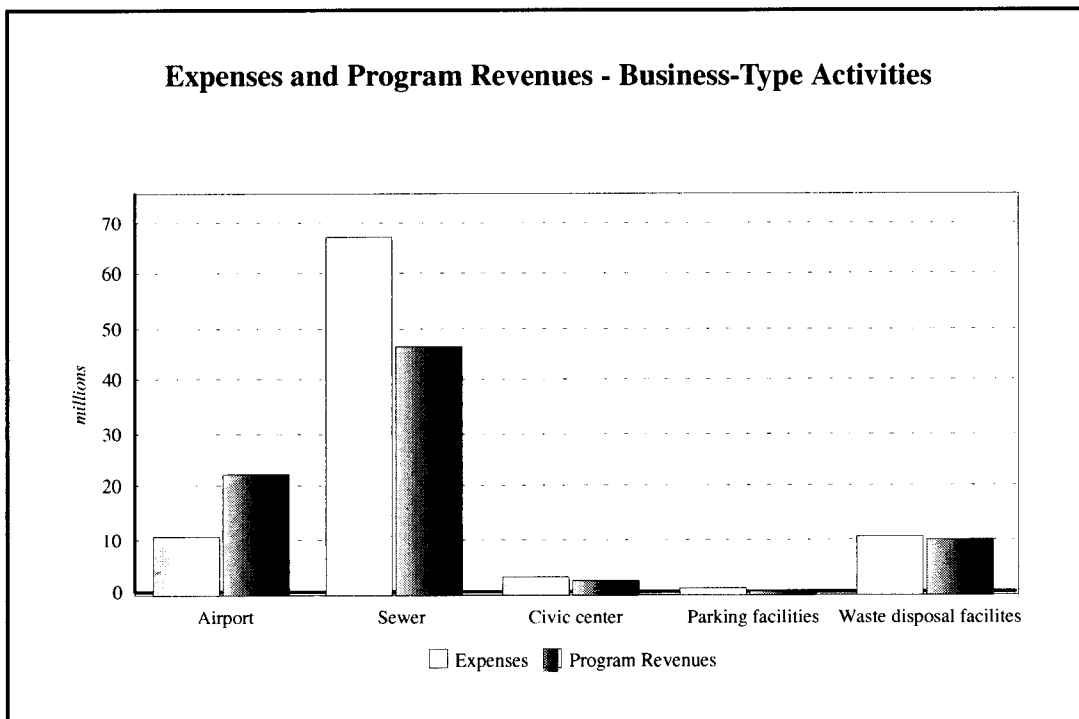
Governmental Activities net assets increased \$37.6 million in 2001, primarily due to:

- (1) an increase in net capital assets of approximately \$25 million capitalized during the year from the following external sources: the ½% road tax (\$10.7 million), the capitalization of the Capital Transportation Corporation land and administrative facility (\$6.8 million), donated infrastructure from developers (\$5.5 million), and capital grants from the State of Louisiana for transportation purposes (approximately \$2 million).
- (2) An additional \$4 million in property tax revenues due to growth of the assessment rolls.
- (3) An additional \$2 million in gross receipt business taxes generated in the City limits.
- (4) A net decrease of approximately \$5 million in long-term debt excluding bonded debt issued in year 2001.
- (5) Other miscellaneous increases in net assets of \$1.6 million.



Business Type Activities net assets increased by \$30.7 million in 2001, primarily due to:

- (1) An 32% increase in the sewer user fee initiated by the Metropolitan Council on January 1, 2001, generating an additional \$8 million.
- (2) Increased revenue of \$0.5 million tipping fee charges generated at the government-owned solid waste facility.
- (3) Enterprise Fund contributions from external parties of \$20.9 million from the following sources: Airport grants from federal and state agencies (\$14.2 million), sewer fund grants from federal and state agencies (\$1.7 million), state capital outlay funds for the Riverside Centroplex (\$0.9 million), contributions of infrastructure from private developers to the sewerage system (\$1.1 million), and sewer impact fees (\$3.0 million).
- (4) Other miscellaneous increases in net assets of \$1.3 million.



Financial Analysis of the Government's Funds

As noted earlier, the City-Parish uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City-Parish's governmental funds are to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City-Parish's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the primary government's governmental funds reported combined ending fund balances of \$268.8 million, an increase of \$36 million in comparison with the prior year. Approximately 76% of this total amount (\$204.6 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) liquidation of contracts and purchase orders of the prior period (\$20.9 million), (2) payment of debt service (\$27.9 million), (3) loans to low-income recipients (\$9.7 million), (4) legal appropriations in the 2002 operating budget (\$5.0 million), or (5) investment of inventories at December 31, 2001 (\$0.7 million).

The general fund is the chief operating fund of the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana. At the end of the current fiscal year, unreserved fund balance of the general fund was \$67.6 million, while total fund balance reached \$73.5 million. Compared with total fund balance of \$64.2 million at the end of 2000, fund balance grew approximately \$9.3 million during 2001. Key factors contributing to this growth were as follows:

- (1) An additional \$2 million in gross receipts business taxes generated in the City limits.
- (2) A reduction of general fund expenditures of approximately \$7 million. The primary decrease in expenditure was in one-time capital outlays. However, an overall 3.5% reduction in spending was accomplished through directive of the Mayor-President to all departments and agencies when projected sales tax growth did not materialize in the summer of 2001.

Fund Balance in the Capital Projects Fund rose \$19 million in 2001, primarily as a result of the issuance of debt to finance the local portion of the Centroplex expansion project.

Proprietary Funds: The City-Parish's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Greater Baton Rouge Airport Authority Fund at December 31, 2001, reflected a negative \$2 million due to the fact that 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 Authority 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.

Unrestricted net assets of the Comprehensive Sewerage System Fund was \$57.7 million at December 31, 2001. This fund encompasses all assets associated with sewerage operations, maintenance, and capital improvements held by the City, the Parish, the Consolidated Sewerage District, and the East Baton Rouge Parish Sewerage Commission. Restricted assets total over \$186.4 million, reflecting the heavy investment in capital assets and construction cash funding the previously mentioned ongoing *Sanitary Sewer Overflow Corrective Action Program*. This program is a result of the U. S. Environmental Protection Agency's mandate for the City-Parish to rehabilitate its sewerage system to eliminate infiltration of rainwater drainage into the system.

General Fund Budgetary Highlights

The total difference between the original general fund budget and the final amended budget was an increase in appropriations of \$1.8 million. Supplemental appropriations totaling \$4.6 million were approved during the year by the Metropolitan Council for various programs including replacement of police motor vehicles and equipment, equipment replacement from the proceeds of the annual auction, settlement of several liability claims, and increases in the Local Services Agreement between the Parish and the City. Budget reductions of approximately \$2.8 million (1.3%) were initiated by the Mayor-President and approved by the Metropolitan Council to counter the lack of growth in sales tax revenues for 2001.

The Plan of Government requires that the Mayor-President revise appropriations downward during any given fiscal year if he ascertains that there will not be sufficient funds to meet total appropriations for the city, the parish or any special district. Due to the cut-back in spending, the general fund was able to reduce expenditures to maintain fund balance.

Material differences between actual results and budgeted amounts in the general fund are as follows:

- Gaming admission taxes were over-collected by approximately \$4.7 million. The administration's policy on these taxes is to appropriate gaming revenues only after they are collected and use them primarily for non-recurring expenditures.
- The risk management budget was underspent by approximately \$1.7 million when projected claims for employee benefits were lower than projected in the operating budget.
- Approximately \$10.9 million of appropriated capital outlay was not spent during 2001. The Plan of Government allows for the carry-forward of these funds that are allocated to capital outlay projects to subsequent years. The majority of these funds are appropriated to replace police motor vehicles, upgrade information services network systems and provide funds for public works projects such as drainage and street improvements.

Capital Asset and Debt Administration

Capital Assets: The City of Baton Rouge, Parish of East Baton Rouge Consolidated Government's investment in capital assets for its governmental and business type activities as of December 31, 2001, amounts to \$862.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, airport facilities, parking facilities, a landfill, wastewater treatment facilities, roads, highways, bridges, and drainage systems. The total increase in the City-Parish's investment in capital assets for the current fiscal year was 3.6%, an 8% increase for governmental activities and a 1.3% increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Substantial completion of the \$5 million South Choctaw Drive overlay project.
- Completion of the Progress Road Headstart Facility.
- Completion of Phase I of the Bluebonnet Boulevard Extension Project (\$5 million).
- Capitalization of over \$8 million worth of renovations and improvements to the Airport Terminal Building or Airport Improvements.
- Completion of over \$25 million of capital improvements to the sewerage system, including upgrades to treatment plants and rehabilitation of major sewer lines.

City of Baton Rouge, Parish of East Baton Rouge
 Capital Assets
 (Net of Depreciation)
 December 31, 2001
 (in millions)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 68.3	\$ 64.5	\$132.8
Buildings	75.9	61.2	137.1
Improvements Other Than Buildings and Infrastructure	113.9	415.4	529.3
Machinery and Equipment	21.2	3.0	24.2
Construction Work-In-Progress	<u>30.4</u>	<u>8.7</u>	<u>39.1</u>
Total	<u>\$309.7</u>	<u>\$552.8</u>	<u>\$862.5</u>

Additional information on the City-Parish's capital assets can be found in Note 6, Exhibit A-15 of this report.

Long-Term Debt: At the end of the current fiscal year, the City-Parish had total bonded debt outstanding of \$473.1 million. Of this amount, \$78.1 million comprises debt backed by the full faith and credit of the government. The remainder of the debt represents bonds secured solely by specified revenue sources such as the general sales tax of the General Fund. There are no general obligation bonds outstanding for the City of Baton Rouge nor the Parish of East Baton Rouge at the end of the fiscal year.

City of Baton Rouge, Parish of East Baton Rouge
 Summary of Excess Revenue and Revenue Bonds
 December 31, 2001
 (in millions)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Excess Revenue Contracts, Loans and Notes	\$ 76.9	\$ 1.2	\$ 78.1
Sales Tax Revenue Bonds	<u>79.5</u>	<u>315.5</u>	<u>395.0</u>
Total All Bonds, Contracts, Loans and Notes	<u>\$156.4</u>	<u>\$316.7</u>	<u>\$473.1</u>

The City-Parish's total bonded debt increased by \$44.8 million during the year.

On August 15, 2001, the City of Baton Rouge issued \$23,625,000 of Public Improvement Sales Tax Revenues Bonds - Series 2001A (based on the 2% general sales and use tax) for the purpose of providing local matching funds and applicable issuance costs (\$18,225,000) for the Centroplex Expansion Project, and to provide funds to the Greater Baton Rouge Airport District to enable them to liquidate their 1997 Passenger Facility Charges Promissory Note.

The Parish of East Baton Rouge issued \$20,000,000 of Public Improvement Sales Tax Revenue Bonds - Series 2001B (based on the ½% special sewer sales and use tax) on August 15, 2001, to provide additional funding for the sewer capital improvements program.

In 2001, the City of Baton Rouge received long-term loan proceeds from the Louisiana Community Development Authority to provide funds to the Greater Baton Rouge Airport District in connection with their Terminal Development

Program. Although total loan authorization is \$9,000,000, only \$1,184,672 is outstanding as of December 31, 2001. Funds are drawn down as expenses are incurred on airport projects. The loan is expected to be repaid over a twenty-eight year term.

As of December 31, 2001, City-Parish bonds are rated by three of the major rating services as follows:

	<u>Underlying Ratings</u>			<u>Insured Ratings</u>		
	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>	<u>Fitch Investors</u>	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>	<u>Fitch Investors</u>
City of Baton Rouge (2%) Sales Tax Revenue Bonds	A1	AA-	AA-	Aaa	AAA	AAA
Parish of East Baton Rouge (2%) Sales Tax Revenue Bonds	A1	AA-	AA-	Aaa	AAA	AAA
Parish of East Baton Rouge Sewer Improvement (1/2%) Sales Tax Revenue Bonds	A3	A	A	Aaa	AAA	AAA

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

Governing Authority:	<u>City of Baton Rouge</u>
<u>Ad Valorem Taxes:</u>	
Assessed Valuation	<u>\$ 1,128,641,029</u>
Debt Limit: 10% of Assessed Valuation (for any one purpose)	\$ 112,864,103
Debt Limit: 15% of Assessed Valuation (sewerage purposes)	169,296,154
Debt Limit: 35% of Assessed Valuation (aggregate, all purposes)	395,024,360
Debt Outstanding	<u>\$ _____</u>

Governing Authority:	<u>Parish of East Baton Rouge</u>
<u>Ad Valorem Taxes:</u>	
Assessed Valuation	<u>\$2,437,458,220</u>
Debt Limit: 10% of Assessed Valuation (for any one purpose)	\$ 243,745,822
Debt Limit: 15% of Assessed Valuation (for sewerage purposes)	365,618,733
Debt Outstanding	<u>\$ _____</u>

Governing Authority:

East Baton Rouge Sewerage Commission

Ad Valorem Taxes:

Assessed Valuation

\$2,437,458,220

Debt Limit: 15% of Assessed Valuation

\$ 365,618,733

Debt Outstanding

\$ --

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 and all other excess revenues. 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.

Economic Factors and Next Year's Budget and Rates

The City-Parish's general fund receives approximately 50% of its revenues from the 2% general sales and use tax levied by the City of Baton Rouge or the Parish of East Baton Rouge. Therefore, economic indicators are very important in forming the general fund budget estimates. Revenue assumptions are reviewed by Dr. James A. Richardson, John Rhea Alumni Professor of Economics at Louisiana State University, and Dr. Loren C. Scott, Professor Emeritus in the Department of Economics at Louisiana State University. These economists concluded that: *The uncertainties of the national economy certainly extend to the Louisiana economy and the Baton Rouge economy. We believe the Baton Rouge economy will show growth in 2002. Based on our economic projections for the rest of 2001 and 2002 and the general uncertainties that are present in the global and national economies at this time, we believe that the City-Parish government would be prudent in projecting no growth in sales tax revenues for 2002.* The City-Parish government took the advice of these economists and prepared a 2002 operating budget with no projected growth for sales tax revenues.

A citizen's committee (MCORE) has been formed to study the revenues and expenditures/expenses of the City-Parish primary government's current and future year budgets. In addition, the administration has designated an amount of \$10.4 million in a budget stabilization fund for future economic downturns.

Requests For Information

This financial report is designed to provide a general overview of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, Accounting Division, P.O. Box 1471, Baton Rouge, Louisiana, 70821-1471.