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**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**BATON ROUGE, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2016**

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**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2016**

**RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE**

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**INDEPENDENT AUDITORS' REPORT**

Recreation and Park Commission  
for the Parish of East Baton Rouge  
Baton Rouge, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Recreation and Park Commission for the Parish of East Baton Rouge as of December 31, 2016 the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Funding Progress and Employer Contributions for its Post-Employment Benefit Plan, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions to Cost-Sharing Defined Benefit Plans presented on pages 3 through 8, pages 47 through 48, page 49, page 50 and page 51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Compensation Paid to the Head of Commission on page 52 is presented in order to comply with LA R.S. 24:513 and for the purpose of additional analysis and is not a required part of the basic financial statements. The General Fund Combining Schedules are also presented for the purpose of additional analysis and are also not a required part of the basic financial statements

The Schedule of Compensation Paid to Head of Commission and the General Fund Combining Schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017 on our consideration of the Recreation and Park Commission for the Parish of East Baton Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Portia M. M. + Nethermille*

Baton Rouge, Louisiana  
June 29, 2017

RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE

BATON ROUGE, LOUISIANA

**REQUIRED SUPPLEMENTAL INFORMATION – PART I**

MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016**

As financial management of the Recreation and Park Commission for the Parish of East Baton Rouge (BREC) we offer readers of these financial statements an overview and analysis of BREC's financial activities. This narrative is designed to assist readers in focusing on significant financial issues, identify changes in financial position, identify material deviations from approved budget documents (if any) and identify individual fund issues or concerns.

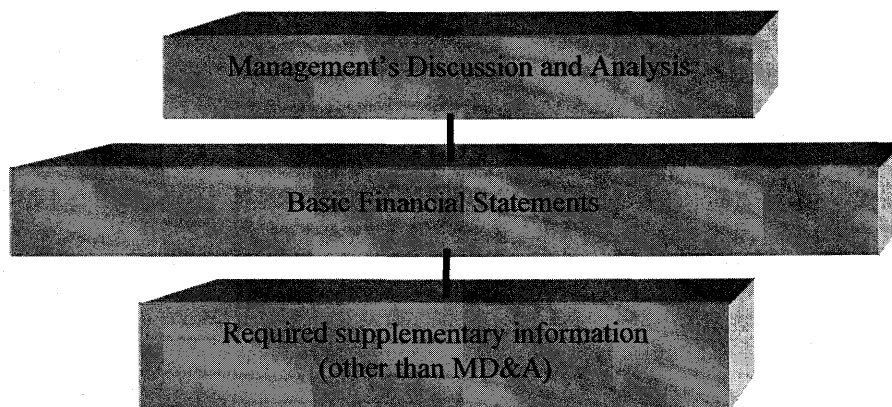
Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts.

**FINANCIAL HIGHLIGHTS**

- ★ Assets and deferred outflows of the Recreation and Park Commission exceeded its liabilities and deferred inflows on December 31, 2016 by \$175,290,982 (net position). Of this net position amount, \$23,299,907 (unrestricted net position) may be used to meet ongoing obligations to our creditors.
- ★ As of December 31, 2016, the governmental funds reported combined ending fund balances of \$ 90,580,074, a decrease of \$6,819,058 in comparison with the prior year. The decrease is primarily the result of the continuation of several construction projects which utilized amounts that had been accumulated in capital projects funds. Approximately 23% of the fund balance, \$20,776,081, is available for spending at the Commission's discretion (unassigned fund balance of the General Fund).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Government-wide financial statements.** The *government-wide financial statements* are designed to be similar to private sector business in that all governmental and business-type activities are consolidated into separate columns which add to a total for the primary government. The governmental activities' statements combine the Governmental Funds' current financial resources with capital assets and long-term obligations. Donated infrastructure is included. The Commission has no business type activities and therefore no business type activity statements are presented. Additionally, there are no component units to which the Commission may be obligated to provide financial assistance; and therefore no component units are represented in these statements.



**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2016**

The *statement of net position* presents information on all of the Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. (e.g., uncollected taxes and earned but unused vacation leave). The focus of the *statement of activities* is on both the gross and net cost of various activities which are provided by the Commission's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various Commission services and/or subsidies to various activities.

Governmental activities reflect those recreation programs provided by the Commission to the public that are generally supported through tax dollars, grants, and charges for services such as golf, tennis, sports leagues, recreation centers, classes, etc.; and maintenance of park facilities. Also included in governmental activities are the programs and maintenance of special facilities such as the Baton Rouge Zoo, Magnolia Mound Plantation House, Bluebonnet Swamp, Liberty Lagoon and others. Since all of the Commission's activities are of the governmental type, there is no presentation of business-type activities in these financial statements.

**Fund financial statements.** A *fund* is a grouping of related accounts that are used to maintain control over the resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

**Governmental funds.** *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 presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the budget is developed based on the generally accepted accounting principles (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 Commission has presented the General Fund, Capital Improvements, Enhancement Construction and the Special Revenue Enhancement Funds as major funds.

**Proprietary funds.** *Proprietary funds* consist of internal service funds and are an accounting device used to accumulate and allocate costs internally among the Commission's various functions. The Commission uses internal service funds to account for its employee benefits, risk management, unemployment and print shop activities. These services benefit the governmental functions of the Commission and they have been included within the governmental activities section in the government-wide financial statements.

**Capital 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 that have initial useful lives greater than two years and exceed the government's capitalization threshold. Donated infrastructure assets are capitalized and are included in capital asset balances at market value at the date of acquisition.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes are a required part of the basic financial statements.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE ENTITY**

The following table reflects the condensed Statement of Net Position for 2016 and, 2015:

Condensed Statements of Net Position  
as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 105,621,691	\$ 111,118,719
Capital assets	166,210,696	154,378,218
Total assets	<u>271,832,387</u>	<u>265,496,937</u>
Deferred outflows	<u>23,186,481</u>	<u>12,198,836</u>
Liabilities		
Current liabilities	8,009,013	6,298,653
Non-current liabilities		
Due within one year	4,275,000	4,790,862
Due in more than one year	107,443,873	94,386,681
Total liabilities	<u>119,727,886</u>	<u>105,476,196</u>
Deferred inflows	<u>-</u>	<u>-</u>
Net position		
Net investment in capital assets	131,674,656	116,733,364
Restricted	20,316,419	27,752,775
Unrestricted	<u>23,299,907</u>	<u>27,733,438</u>
Total net position	<u>\$ 175,290,982</u>	<u>\$ 172,219,577</u>

- Approximately 75% of the Commission's net position as of December 31, 2016 reflects investment in capital assets less any outstanding debt used to acquire those assets (land, buildings, infrastructure, animals, machinery and equipment). The Commission uses these assets to provide services to the public, consequently these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- Another 12% of the Commission's net position is subject to external restrictions.
- The remaining 13% of net position is unrestricted, and may be used to meet ongoing obligations of the Commission to citizens and creditors.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2016**

The following table provides a summary of the changes in net position for the years ended 2016, 2015, and 2014:

Condensed Statements of Revenues and Expenses  
For the Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 9,839,713	\$ 10,210,255	\$ 9,847,556
Operating grants and contributions	601,306	-	-
Capital grants and contributions	2,227,272	3,831,733	2,194,210
<b>General revenues</b>			
Ad Valorem Tax	56,737,444	55,898,382	53,455,290
State Revenue Sharing	1,495,901	1,547,958	1,514,173
Other General Revenues	1,165,839	721,920	1,432,093
	<u>72,067,475</u>	<u>72,210,248</u>	<u>68,443,322</u>
<b>Expenses</b>			
Administration and Planning	16,485,148	20,623,392	18,657,562
Maintenance Department Operations	16,743,798	8,982,968	8,427,797
Recreation Program Operations	20,249,981	16,398,448	14,647,490
Golf Operations	7,254,879	5,543,133	5,363,378
Zoo Operations	6,070,128	4,471,381	4,396,715
Aquatics and Therapeutics	1,154,516	1,196,336	1,335,235
Interest on long-term debt	1,037,620	1,118,616	1,226,151
	<u>68,996,070</u>	<u>58,334,274</u>	<u>54,054,328</u>
Excess of revenues over expenses	<u>\$ 3,071,405</u>	<u>\$ 13,875,974</u>	<u>\$ 14,388,994</u>

The Commission's revenues are comprised almost entirely of property taxes and service fees for use of facilities and activities. Property taxes experienced a relatively minimal 1.5% increase and there was a slight increase in service fees. The property tax revenue was affected by widespread flooding throughout the Parish in August 2016. In accordance with state law, the Parish Assessor reassessed property values for affected areas. The reduced assessments on some properties resulted in lower tax revenues than the Commission would have otherwise received for 2016, which was a re-assessment year in the four-year cycle.

The Commission's expenses, overall, increased due to expansion of facilities and increased recreation and maintenance costs. There were significant increases in pension expense in 2016 because of an increase in the net pension liability of the City-Parish Employees' Retirement System, of which the Commission records its participating share. Also as a result of the flooding, the Commission had several parks and facilities damaged, giving rise to impairment losses. For the year ended December 31, 2016 the Commission recognized impairment losses of \$2.4 million for these capital assets. It is also important to know, when comparing 2016 expenses to those of the prior two years, that classification of certain expenses changed. Pension, employee benefits, and other administrative costs were redistributed from the

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2016**

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

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

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

The general fund is the primary operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20,776,081, while total fund balance of the general fund was \$58,598,648. Compared with total general fund balance of \$55,933,480 at the end of 2015, fund balance increased \$2,665,168 during 2016. The fund balance increase is a result of revenues exceeding expenditures for the year. This fund balance can be used to support general operations.

The Commission's other governmental funds consisting of the Debt Service Fund, the Capital Improvements Fund, the Enhancement Construction Fund and the Special Revenue Enhancement Fund collectively contain \$31,981,426 of fund balance which is either restricted, committed or assigned for various purposes including debt payments and capital improvements, or assigned for certain uses as determined by management. The Commission also maintains an Enhancement Operating Fund that accounts for the portion of a certain millage that is earmarked for operating supplements that is combined with the General Fund for presentation in accordance with GASB 54.

The Louisiana Local Government Budget Act (the Act) requires that the Commission adopt annual budgets for its general and special revenue funds and to adopt budget amendments whenever revenue collections fail to meet projections by more than 5%; or when actual projected expenditures exceed budgeted expenditures by more than 5%; or when actual beginning fund balance fails to meet estimated beginning fund balance by more than 5% if fund balance is being used to fund current year expenditures. As indicated in the required supplemental information showing the budgeted revenues and expenditures for the General and Special Revenue Enhancement Funds, no budget amendments were adopted and actual revenues and expenditures fell within the parameters set forth within the Act.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Commission's capital assets as of December 31, 2016 total \$166,210,696 (net of accumulated depreciation). Capital assets include land, buildings and improvements, construction in progress, and moveable property consisting of furniture, machinery and equipment. Accumulated depreciation represents approximately 44% of the original cost of all capital assets, and approximately 53% of depreciable capital assets. Capital asset additions in 2016 were \$24,591,613, or approximately 15% of the book value of all capital assets.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2016**

Capital Assets at December 31  
(Net of Depreciation)

	2016	2015	2014
Land	\$ 29,761,385	\$ 29,487,815	\$ 29,487,815
Construction in progress	22,276,106	5,656,332	5,695,619
Moveable Property and Equipment	3,576,344	3,651,344	2,831,536
Immoveable Property	110,596,861	115,582,727	114,225,193
Totals	\$ 166,210,696	\$ 154,378,218	\$ 152,240,163

The Commission maintains two funds for capital improvement projects. The first is the Capital Improvements Fund, which accounts for the proceeds of a property tax of 2.05 mills which the Commission has traditionally used for its ongoing Capital Improvement Program. This fund operates on a pay-as-you-go basis. Total expenditures in 2016 of the Capital Improvements Fund were \$18,359,429. The second fund is the Enhancement Construction Fund, which accounts for a portion of the proceeds of a property tax of 3.253 mills that was approved by the citizenry for funding the operation, maintenance, construction of the park system in accordance with the Strategic Master Plan. This fund, after utilizing all of the proceeds of a twenty year, \$45,000,000 construction bond, has recently funded its projects from proceeds of the \$13,000,000 2012B bond issue and pay-as-you-go proceeds of the tax. Total expenditures in 2016 of the Enhancement Construction Fund were \$4,106,030. The combined total expenditures of the two capital projects funds were \$22,465,459 and \$9,935,977 in 2016 and 2015, respectively.

Some of the more significant capital improvements during the 2016 fiscal year included construction and renovation projects at the following locations: Anna T. Jordan Park, Knock Knock Children's Museum, Liberty Lagoon, Burbank Soccer Complex and Jefferson Highway Park.

**Long-term debt**

At the end of the calendar year 2016, the Commission had total bonded debt outstanding of \$36,520,000, compared to bonded debt outstanding as of December 31, 2015 of \$40,165,000. This decrease reflects principal payments on the bonds that were made according to schedule. No debt was issued during 2016. Long-term debt also includes accrued liabilities for the net pension liability of \$66,194,382, compensated leave of \$2,693,653, other post-employment benefits of \$4,560,838 and self-insurance claims payable of \$1,750,000.

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

East Baton Rouge Parish has experienced modest economic growth in recent years. The following significant assumptions were made in setting the 2017 budget:

- Property tax revenues will remain relatively constant.
- User fees will increase due to proposed fee increases for aquatics, golf and special facilities.
- Operating expenses will increase modestly due to merit pay increases and related increases in benefits, particularly retirement contributions.
- Capital expenditures will continue from available pay-as-you-go tax revenue for parks and replacing of aging fleet and equipment.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for those with an interest in the Commission's financial position and operations. Questions concerning information provided in this report or requests for additional information should be addressed to Recreation and Park Commission of East Baton Rouge Finance Department, 6201 Florida Boulevard, Baton Rouge, Louisiana 70806.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 47,456,950
Accounts receivable	1,186,164
Ad valorem taxes receivable, net	56,545,272
Inventory	433,305
Capital assets - non-depreciable	52,037,491
Capital assets - depreciable, net	114,173,205
TOTAL ASSETS	<u>271,832,387</u>
 <b><u>DEFERRED OUTFLOWS</u></b>	
Loss on debt refunding	1,968,357
Net pension liability	21,218,124
TOTAL DEFERRED OUTFLOWS	<u>23,186,481</u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	5,668,889
Accrued expenses payable	2,340,124
Non-current liabilities	
Due within one year	4,275,000
Due in more than one year	107,443,873
TOTAL LIABILITIES	<u>119,727,886</u>
 <b><u>DEFERRED INFLOWS</u></b>	
	<u>-</u>
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	131,674,656
Restricted	
Capital projects	15,844,857
Debt service	4,333,559
Other	138,003
Unrestricted	23,299,907
TOTAL NET POSITION	<u>\$ 175,290,982</u>

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
Administration and planning	\$ 16,485,148	\$ -	\$ -	\$ -	\$ (16,485,148)
Maintenance department operations	16,743,798	-	-	-	(16,743,798)
Recreation program operations	20,249,981	3,565,643	601,306	2,227,272	(13,855,760)
Golf operations	7,254,879	3,250,213	-	-	(4,004,666)
Zoo operations	6,070,128	2,158,497	-	-	(3,911,631)
Aquatics and therapeutics	1,154,516	865,360	-	-	(289,156)
Interest Expense	1,037,620	-	-	-	(1,037,620)
	<u>\$ 68,996,070</u>	<u>\$ 9,839,713</u>	<u>\$ 601,306</u>	<u>\$ 2,227,272</u>	<u>\$ (56,327,779)</u>
<b><u>General Revenues</u></b>					
					56,737,444
					1,495,901
					536,623
					<u>629,216</u>
					59,399,184
					<u>3,071,405</u>
					172,219,577
					<u>\$175,290,982</u>

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2016**

	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	NON-MAJOR FUND Debt Service Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 17,930,075	\$ 13,485,573	\$ 11,280,261	\$ 88,573	\$ 1,212,947	\$ 43,997,429
Accounts receivable	863,049	303,938	-	-	-	1,166,987
Ad valorem taxes receivable	35,812,397	8,014,783	-	12,718,093	-	56,545,273
Inventory	433,305	-	-	-	-	433,305
Due from other funds	10,775,727	-	5,191,507	-	3,250,258	19,217,492
<b>TOTAL ASSETS</b>	<b>65,814,553</b>	<b>21,804,294</b>	<b>16,471,768</b>	<b>12,806,666</b>	<b>4,463,205</b>	<b>121,360,486</b>
<b>DEFERRED OUTFLOWS</b>						
	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 65,814,553</b>	<b>\$ 21,804,294</b>	<b>\$ 16,471,768</b>	<b>\$ 12,806,666</b>	<b>\$ 4,463,205</b>	<b>\$ 121,360,486</b>
<b>LIABILITIES</b>						
Accounts payable	3,239,180	1,298,702	565,155	358,749	-	5,461,786
Accrued expenses payable	1,314,074	706,792	184,997	-	-	2,205,863
Due to other funds	-	3,358,044	4,048,252	11,502,327	-	18,908,623
<b>TOTAL LIABILITIES</b>	<b>4,553,254</b>	<b>5,363,538</b>	<b>4,798,404</b>	<b>11,861,076</b>	<b>-</b>	<b>26,576,272</b>
<b>DEFERRED INFLOWS</b>	<b>2,662,651</b>	<b>595,899</b>	<b>-</b>	<b>945,590</b>	<b>-</b>	<b>4,204,140</b>
<b>FUND BALANCE</b>						
Nonspendable	433,305	-	-	-	-	433,305
Spendable:						
Restricted	22,400	15,844,857	15,603	-	4,463,205	20,346,065
Committed	1,342,965	-	-	-	-	1,342,965
Assigned	36,023,897	-	11,657,761	-	-	47,681,658
Unassigned	20,776,081	-	-	-	-	20,776,081
<b>TOTAL FUND BALANCE</b>	<b>58,598,648</b>	<b>15,844,857</b>	<b>11,673,364</b>	<b>-</b>	<b>4,463,205</b>	<b>90,580,074</b>
<b>TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 65,814,553</b>	<b>\$ 21,804,294</b>	<b>\$ 16,471,768</b>	<b>\$ 12,806,666</b>	<b>\$ 4,463,205</b>	<b>\$ 121,360,486</b>

The accompanying notes are an integral part of this financial statement.



**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

Total Fund Balances at December 31, 2016 - Governmental Funds		\$ 90,580,074
Cost of capital assets at December 31, 2016	\$ 294,660,244	
Less: Accumulated Depreciation as of December 31, 2016	<u>128,449,548</u>	166,210,696
Deferred inflows at December 31, 2016 (property tax not available)		4,204,140
Deferred outflows at December 31, 2016 (loss on bond refunding)		1,968,357
Deferred outflows at December 31, 2016 (net pension liability)		21,218,124
Consolidation of internal service funds		1,208,113
Accrued interest on bonds payable		(129,649)
Long-term liabilities at December 31, 2016:		
Bonds payable	\$ (36,520,000)	
Compensated absences payable	(2,693,653)	
Net Pension Liability	(66,194,382)	
Net other post-employment benefit obligation	<u>(4,560,838)</u>	<u>(109,968,873)</u>
Total net position at December 31, 2016 - Governmental Activities		<u>\$ 175,290,982</u>

The accompanying notes are an integral part of this statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	NON-MAJOR FUND Debt Service Fund	Total
<b>REVENUES</b>						
Local sources:						
Ad valorem taxes	\$ 35,082,335	\$ 7,854,048	\$ -	\$ 12,130,031	\$ -	\$ 55,066,414
Recreation activity fees	9,839,713	-	-	-	-	9,839,713
Earnings on investments	206,539	155,400	90,813	34,207	12,281	499,240
Donations and miscellaneous	255,269	613,672	5,696	-	-	874,637
State sources:						
Revenue sharing	1,213,101	282,800	-	-	-	1,495,901
Restricted grants-in-aid	-	1,454,177	654,488	-	-	2,108,665
<b>TOTAL REVENUES</b>	<b>46,596,957</b>	<b>10,360,097</b>	<b>750,997</b>	<b>12,164,238</b>	<b>12,281</b>	<b>69,884,570</b>
<b>EXPENDITURES</b>						
Current:						
Administrative and planning	10,173,964	237,203	-	358,750	849	10,770,766
Maintenance department operations	11,322,949	-	-	-	-	11,322,949
Recreation program operations	12,195,272	-	-	-	-	12,195,272
Golf operations	5,426,723	-	-	-	-	5,426,723
Zoo operations	4,938,287	-	-	-	-	4,938,287
Aquatics and therapeutics	1,154,516	-	-	-	-	1,154,516
Flood relief operations	741,543	-	-	-	-	741,543
Debt service	-	-	-	-	4,461,696	4,461,696
Capital outlay	3,463,620	18,122,226	4,106,030	-	-	25,691,876
<b>TOTAL EXPENDITURES</b>	<b>49,416,874</b>	<b>18,359,429</b>	<b>4,106,030</b>	<b>358,750</b>	<b>4,462,545</b>	<b>76,703,628</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,819,917)</b>	<b>(7,999,332)</b>	<b>(3,355,033)</b>	<b>11,805,488</b>	<b>(4,450,264)</b>	<b>(6,819,058)</b>

(continued)

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	NON-MAJOR FUND Debt Service Fund	Total
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfers out	-	-	-	(11,805,488)	-	(11,805,488)
Transfers in	5,485,085	-	2,783,955	-	3,536,448	11,805,488
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>5,485,085</b>	<b>-</b>	<b>2,783,955</b>	<b>(11,805,488)</b>	<b>3,536,448</b>	<b>-</b>
<b><u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u></b>	2,665,168	(7,999,332)	(571,078)	-	(913,816)	(6,819,058)
Fund Balance, December 31, 2015	55,933,480	23,844,189	12,244,442	-	5,377,021	97,399,132
Fund Balance, December 31, 2016	<b>\$ 58,598,648</b>	<b>\$ 15,844,857</b>	<b>\$ 11,673,364</b>	<b>\$ -</b>	<b>\$ 4,463,205</b>	<b>\$ 90,580,074</b>

The accompanying notes are an integral part of this financial statement.

(concluded)

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds		\$ (6,819,058)
Capital Assets:		
Capital outlay and other expenditures capitalized	\$ 24,591,613	
Loss on disposal of property and impairment	(2,482,567)	
Depreciation expense for year ended December 31, 2016	<u>(10,276,569)</u>	11,832,477
Change in deferred inflows and outflows - property tax		1,667,269
Change in net position of internal service fund		(1,687,135)
Long Term Debt:		
Principal portion of debt service payments and redemptions	3,645,000	
Change in net pension liability and related deferrals	(4,631,238)	
Change in post-employment benefit obligation	(714,454)	
Deferred loss amortization	(233,864)	
Change in accrued interest on long-term debt	12,938	
Change in compensated absences payable	<u>\$ (530)</u>	<u>(1,922,148)</u>
Change in Net Position - Governmental Activities		<u>\$ 3,071,405</u>

The accompanying notes are an integral part of this statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**PROPRIETARY FUND TYPE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	Employee Benefit Fund	Risk Management Fund	Other Internal Service Funds	Total Internal Service Funds
<b><u>ASSETS</u></b>				
Current:				
Cash and cash equivalents	\$ 1,588,134	\$ 1,391,992	\$ 479,395	\$ 3,459,521
Due from other funds	10,200	185,348	13,120	208,668
Accounts Receivable	-	19,177	-	19,177
TOTAL ASSETS	<u>\$ 1,598,334</u>	<u>\$ 1,596,517</u>	<u>\$ 492,515</u>	<u>\$ 3,687,366</u>
<b><u>LIABILITIES</u></b>				
Liabilities:				
Current:				
Accounts payable	185,323	6,135	15,643	207,101
Due to other funds	393,696	-	123,841	517,537
Accrued expenses	-	-	4,615	4,615
Claims payable	250,000	300,000	-	550,000
	829,019	306,135	144,099	1,279,253
Long-term:				
Claims payable	-	1,200,000	-	1,200,000
TOTAL LIABILITIES	<u>829,019</u>	<u>1,506,135</u>	<u>144,099</u>	<u>2,479,253</u>
<b><u>NET POSITION</u></b>				
Restricted	-	100,000	-	100,000
Unrestricted	769,315	(9,618)	348,416	1,108,113
	769,315	90,382	348,416	1,208,113
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,598,334</u>	<u>\$ 1,596,517</u>	<u>\$ 492,515</u>	<u>\$ 3,687,366</u>

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**PROPRIETARY FUND TYPE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
DECEMBER 31, 2016**

	<u>Employee Benefit Fund</u>	<u>Risk Management Fund</u>	<u>Other Internal Service Funds</u>	<u>Total Internal Service Funds</u>
<b><u>OPERATING REVENUES</u></b>				
Premiums received	\$ 4,515,298	\$ 233,512	\$ -	\$ 4,748,810
Printshop charges	-	-	126,135	126,135
<b>TOTAL OPERATING REVENUE</b>	<b>4,515,298</b>	<b>233,512</b>	<b>126,135</b>	<b>4,874,945</b>
<b><u>OPERATING EXPENSES</u></b>				
Claims expense	3,523,142	1,274,226	-	4,797,368
Insurance premiums	-	548,208	-	548,208
Personnel expenses	-	-	125,561	125,561
Materials and supplies	-	-	146,626	146,626
Administrative fees	818,377	163,323	-	981,700
<b>TOTAL OPERATING EXPENSES</b>	<b>4,341,519</b>	<b>1,985,757</b>	<b>272,187</b>	<b>6,599,463</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>173,779</b>	<b>(1,752,245)</b>	<b>(146,052)</b>	<b>(1,724,518)</b>
<b><u>NON-OPERATING REVENUES</u></b>				
Interest income	18,915	15,304	3,164	37,383
<b>CHANGE IN NET POSITION</b>	<b>192,694</b>	<b>(1,736,941)</b>	<b>(142,888)</b>	<b>(1,687,135)</b>
<b>NET POSITION at DECEMBER 31, 2015</b>	<b>576,621</b>	<b>1,827,323</b>	<b>491,304</b>	<b>2,895,248</b>
<b>NET POSITION at DECEMBER 31, 2016</b>	<b>\$ 769,315</b>	<b>\$ 90,382</b>	<b>\$ 348,416</b>	<b>\$ 1,208,113</b>

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**PROPRIETARY FUND TYPE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
DECEMBER 31, 2016**

	<u>Employee Benefit Fund</u>	<u>Risk Management Fund</u>	<u>Other Internal Service Funds</u>	<u>Total Internal Service Funds</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Cash premiums received	\$ 4,516,047	\$ 233,512	\$ -	\$ 4,749,559
Printshop charges received	-	-	126,135	126,135
Cash paid in claims and premiums	(4,023,142)	(1,703,835)	-	(5,726,977)
Cash paid for expenses	<u>(633,054)</u>	<u>(181,136)</u>	<u>(260,059)</u>	<u>(1,074,249)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(140,149)</u>	<u>(1,651,459)</u>	<u>(133,924)</u>	<u>(1,925,532)</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Interfund transfers and advances	<u>(2,181,592)</u>	<u>(1,028,795)</u>	<u>(45,756)</u>	<u>(3,256,143)</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(2,181,592)</u>	<u>(1,028,795)</u>	<u>(45,756)</u>	<u>(3,256,143)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Interest Income	<u>18,915</u>	<u>15,304</u>	<u>3,164</u>	<u>37,383</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>18,915</u>	<u>15,304</u>	<u>3,164</u>	<u>37,383</u>
NET CHANGE IN CASH	(2,302,826)	(2,664,950)	(176,516)	(5,144,292)
Cash at beginning of year	<u>3,890,960</u>	<u>4,056,942</u>	<u>655,911</u>	<u>8,603,813</u>
CASH AT END OF YEAR	<u>\$ 1,588,134</u>	<u>\$ 1,391,992</u>	<u>\$ 479,395</u>	<u>\$ 3,459,521</u>
<b><u>Reconciliation of change in net position to net cash used in operating activities</u></b>				
Net operating income (loss)	\$ 173,779	\$ (1,752,245)	\$ (146,052)	\$ (1,724,518)
Adjustments to reconcile change in net position to net cash used in operating activities:				
Changes in:				
Accounts receivable	749	-	-	749
Accounts payable	185,323	(17,813)	7,513	175,023
Accrued Expenses	-	-	4,615	4,615
Claims payable	<u>(500,000)</u>	<u>118,599</u>	<u>-</u>	<u>(381,401)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (140,149)</u>	<u>\$ (1,651,459)</u>	<u>\$ (133,924)</u>	<u>\$ (1,925,532)</u>

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting.

**A. REPORTING ENTITY**

The Recreation and Park Commission for the Parish of East Baton Rouge is a body corporate created by Act 246 of the 1946 Session of the Legislature and reorganized by Act 95 of the 1985 Legislature. The Commission has the power to sue and be sued, and to purchase and operate parks and recreation facilities not inconsistent with the laws of the State of Louisiana or the ordinances of the governing authority of East Baton Rouge Parish. The Commission is composed of nine members who serve without compensation.

GASB Codification Section 2100, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Commission is considered a *primary government*, since it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. As used in GASB Codification Section 2100 fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Commission has no *component units*, as defined by the GASB or other legally separate organizations for which the Commission members are financially accountable. With the exception of the City-Parish Government of East Baton Rouge which is considered to be a related entity as defined by the GASB, there are no other primary governments with which the Commission has a significant relationship.

**B. BASIS OF PRESENTATION AND ACCOUNTING**

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

**Government-Wide Financial Statements (GWFS)**

The Government-Wide Financial Statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized when a legally enforceable claim arises. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. **BASIS OF PRESENTATION AND ACCOUNTING** (continued)

**Government-Wide Financial Statements (GWFS)** (continued)

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is 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. Program revenues include 1) charges to customers who purchase or use goods and services provided by a given function or segment, and 2) grants that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as restricted property taxes.

**Fund Financial Statements (FFS)**

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Funds are maintained consistent with legal and managerial requirements.

Funds of the Commission can be classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types.

Governmental Funds are used to account for the Commission's primary activities, including the collection and disbursement of specific or legally restricted monies, operations, the acquisition or construction of fixed assets, and the servicing of long-term debt. The Commission reports the following major governmental funds:

**General Fund** is the primary operating fund of the Commission. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund.

**Capital Improvements Fund** is used to account for property taxes that are dedicated to the acquisition, construction, or improvement of major capital facilities.

**Enhancement Construction Fund** is used to account for capital improvements and facility enhancements pursuant to the Imagine Your Parks Strategic Master Plan.

**Special Revenue Enhancement Fund** is used to account for the proceeds of a 3.253 mill tax to be used in accordance with the Imagine Your Parks Strategic Master Plan.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. **BASIS OF PRESENTATION AND ACCOUNTING** (continued)

**Fund Financial Statements (FFS)** (continued)

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 6 months after year-end, or within 60 days after year-end for property taxes in normal years. However, for 2016, the Commission considered all property taxes collected within 90 days after year-end to be available due to unusual circumstances causing delays in the tax billing process. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in current net assets. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

**Ad valorem taxes** are recognized when a legally enforceable claim arises (generally when levied) and the resources are available.

**Entitlements and shared revenues** are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met.

**User Fee Revenues** become measurable and available when cash is received by the Commission and are recognized as revenue at that time.

**Expenditures**

**Salaries and benefits** are recorded as earned, except for compensated absences which are recognized when paid.

**Vendor payments** are recorded as the obligation is incurred.

Proprietary funds are used to account for activities whose costs are intended to be covered through service charges or transaction related fees. Two types of proprietary funds are utilized under GASB: Enterprise funds and Internal Service funds. The Commission has no Enterprise Funds, but employs four separate internal service funds. As proprietary funds, the internal service funds utilize the accrual basis of accounting similar to that used in the private sector. Revenues are recognized when earned and measurable and expenses are recognized when incurred.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. **BASIS OF PRESENTATION AND ACCOUNTING** (continued)

**Fund Financial Statements (FFS)** (continued)

Internal service funds are used by the Commission to account for: (1) providing of medical and life insurance benefits to employees and retirees, (2) costs associated with workers compensation, general liability, and vehicle liability claims, (3) costs associated with unemployment claims, and (4) wages and equipment costs associated with the Commission's print shop. The internal service funds are presented in the proprietary fund financial statements. Since the principal users of the internal service funds are the Commission's 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 costs of these services are reflected in the appropriate functional activity.

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

C. **CASH AND INVESTMENTS**

Cash and cash equivalents include demand deposit account balances, repurchase agreements, certificates of deposit and U.S. government securities with maturities of 90 days or less from the date purchased.

Investments are reported at fair market value. Securities are valued at the last reported sales price prior to year end. Unrealized gains and losses on investments are recorded at fair value and are included in investment income.

D. **ELIMINATION AND RECLASSIFICATIONS**

In the process of consolidating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

E. **INVENTORY**

Merchandise inventories (items held for resale) and supply inventories are valued at the lower of cost or market, using a moving weighted average. Inventory items are recorded as expenditures when consumed or sold rather than when purchased. Inventory balances at year end are equally offset as non-spendable fund balance.

F. **CAPITAL ASSETS**

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a \$1,000 threshold level for capitalizing assets. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **CAPITAL ASSETS** (continued)

Capital assets are recorded in the GWFS, but are not reported in the Governmental FFS. All depreciable capital assets are depreciated using the straight-line method over their estimated lives. Useful lives are approximately 5 to 20 years for equipment, buildings and improvements. Infrastructure assets acquired prior to 1982 were recorded at estimated values in 1982.

In accordance with customary practice among zoological organizations, animal and horticultural collections are not generally recorded at any value, as there is no objective basis for establishing value. Additionally, animal and horticultural collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Expenditures related to animal and horticultural acquisitions are expensed in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Commission shares animals with other organizations. Consistent with industry practice, the Commission does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

G. **COMPENSATED ABSENCES**

All employees earn vacation leave at various rates from 100 hours per 2,080 paid hours per year (.0481 per paid hour) to 192 hours per 2,080 paid hours per year (.0923 per paid hour) depending upon length of service. A maximum of 120 days (960 hours) may be carried over from one year to the next. Upon resignation, retirement, or death, a maximum amount equal to 120 days (960 hours) of earned vacation leave is paid to the employee (or heirs) at the employee's current rate of pay.

Employees earn sick leave at various rates from 120 hours per 2,080 paid hours per year (.0577 per paid hour) to 192 hours per 2,080 paid hours per year (.0923 per paid hour) depending on length of service. Sick leave may be accumulated without limit. Accumulated sick leave is not paid to an employee leaving service prior to retirement. A full-time employee (or heirs) may be paid for a maximum of 120 days (960 hours) of sick leave (or a combination of sick and vacation leave not to exceed 120 days) upon the employee's retirement (or death, if retirement eligible). Part-time employees are not eligible for paid sick leave.

Commission employees of certain job classifications may accrue compensatory (comp) time in lieu of overtime pay up to a maximum of 160 hours (40 hours for comp executive time). Comp time is paid by the Commission upon termination, resignation, retirement or death, up to the maximum balance of 160 hours (40 hours for comp executive time).

The cost of leave privileges is recognized as a current-year payroll expenditure in the General Fund when leave is actually taken, or when employees (or their heirs) are paid for accrued unused leave. In the government-wide financial statements the total compensated absences liability is recorded as a long-term obligation and the change therein is recorded as an increase or reduction to expenses.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

G. **COMPENSATED ABSENCES** (continued)

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Codification C20 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The Commission uses this approach.
- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

H. **NET POSITION**

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

When expenses are incurred for purposes for what both restricted and unrestricted amounts are available, the Commission uses restricted amounts first, followed by unrestricted amounts.

I. **FUND EQUITY OF FUND FINANCIAL STATEMENTS**

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Nonspendable** - represents balances that are not expected to be converted to cash in the short-term.

**Spendable**

**Restricted** - represent balances where constraints have been established by parties outside of the Commission or by enabling legislation.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

I. **FUND EQUITY OF FUND FINANCIAL STATEMENTS** (continued)

**Committed** - represent balances where constraints have been established by formal action of the Commission. A simple majority vote in a public meeting is required to establish, modify, or rescind a fund balance commitment.

**Assigned** - represent balances where informal constraints have been established by the Commission or delegate thereof, but are not restricted nor committed.

**Unassigned** - represent balances for which there are no constraints.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the Commission reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, the Commission reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

J. **INTERFUND ACTIVITY**

Interfund activity is reported as loans, reimbursements, or transfers. Advances between funds that are intended to be repaid are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. (Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.) All other interfund transactions are treated as transfers. Transfers are movements of monies between funds that will not be repaid. All transfers are netted as part of the reconciliation to the government-wide financial statements.

K. **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. **BUDGET PRACTICES**

Annually the Commission adopts operating budgets for all governmental funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The proposed budget is prepared using the modified accrual basis of accounting. It is made available for public inspection at the Superintendent's office. The budget is introduced to the Commission at its meeting in November of each year. It is adopted by the Commission at the December meeting after a public hearing. Amendments are recommended to the Commission as needed, and approved at public meetings.

All appropriations lapse at year end. Formal budget integration is employed as a management control device during the year for the governmental funds. The board of commissioners reserves all authority to change the budgets.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

M. **ENCUMBRANCES**

Encumbrances represent purchase orders, contracts, or other commitments; and are recorded in budgetary funds to reserve portions of applicable appropriations. The Commission uses an encumbrance accounting system for reporting purchase orders placed late in the year for which goods were not received by December 31<sup>st</sup>. At year end, outstanding purchase orders are established as an assignment of fund balance for reporting purposes only, since they do not constitute expenditures or liabilities.

N. **LONG-TERM OBLIGATIONS**

Long-term obligations expected to be financed from governmental funds are reported in the government-wide statement of net position, but not in the governmental funds.

In the government-wide statement of net position, long-term debt and other long-term obligations including the net other post-employment benefit obligation, compensated absences and the net pension liability, 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 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".

O. **Pension Plans**

The Commission is a participating employer in a defined benefit pension plan (plan) as described in Note 5. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within each plan.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

P. **Current Year Adoption of New Accounting Standard**

The Commission adopted Government Accounting Standards Board (GASB) Statement Number 77 – *Tax Abatement Disclosures*. See Note 2.

2. **PROPERTY TAXES**

The 1974 Louisiana Constitution (Article 7, Section 8) 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.

The 2016 property tax calendar was as follows:

Millage rates adopted	July 28, 2016
Levy date	July 28, 2016
Tax bills mailed	January 6, 2017
Due date	February 28, 2017

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes in most years become delinquent January 1 of the following year. However, that date was delayed in the 2016 – 2017 billing cycle due to massive flooding across the Parish causing the Parish to adjust assessed values on affected properties. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. 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.

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 level property taxes that are measurable and available (receivable within the current period and collected within the current period or within 90 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred inflows in the year of levy. Such deferred inflows 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.



**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. PROPERTY TAXES (continued)**

The authorized and levied millage consisted of the following for 2016:

<u>Approved Millage Rate</u>	<u>Levied Millage Rate</u>	<u>Expiration</u>	<u>Authorized Use Per Proposition</u>
4.10	4.10	2024	Capital improvements, operations, maintenance
2.10	2.10	2024	Operations and maintenance
3.96	3.96	2026	Operations and maintenance
3.253	3.253	2024	Capital improvements, operations, maintenance pursuant to the Strategic Master Plan
<u>1.05</u>	<u>1.05</u>	Permanent	Any lawful purpose
<u><u>14.463</u></u>	<u><u>14.463</u></u>		

Property taxes receivable and estimated uncollectible taxes by fund for governmental funds are as follows:

	<u>Gross Property Taxes Receivable</u>	<u>Estimated Uncollectible Property Taxes</u>	<u>Net Property Taxes Receivable</u>
General Fund	\$ 36,357,763	\$ 545,366	\$ 35,812,397
Capital Improvements Fund	8,136,836	122,053	8,014,783
Special Revenue Fund	<u>12,911,770</u>	<u>193,677</u>	<u>12,718,093</u>
	<u>\$ 57,406,369</u>	<u>\$ 861,096</u>	<u>\$ 56,545,273</u>

The Commission is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). For the year ending December 31, 2016, the government participated in the Industrial Tax Exemption Program.

Under the ITEP, as authorized by Article 7, Section 21(F) of the Louisiana Constitution and Executive Order Number JBE 2016-73, companies that qualify as manufacturers can apply to the State Board for a property tax exemption on all new property, as defined, used in the manufacturing process. Under the ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5 year term and are renewable for an additional 5 year term upon approval by the State Board. In the case of the local government, these state-granted abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement.

Taxes abated under ITEP for the fiscal year ended December 31, 2016 were approximately \$975,000.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CASH AND CASH EQUIVALENTS**

At December 31, 2016, the Commission's cash balances consist of deposits in financial institutions and petty cash at various facilities as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 47,436,061	\$ 47,909,043
Petty cash	20,889	-
	<u>\$ 47,456,950</u>	<u>\$ 47,909,043</u>

Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the Commission's deposits may not be returned. To guard against this risk, under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. The Commission had no custodial credit risk as of December 31, 2016.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

The Commission is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in various risk-averse instruments including U.S. Government direct and agency obligations, certificates of deposit of qualified financial institutions, certain debt mutual funds, the Louisiana Asset Management Pool (LAMP) and other investments. The Commission had no investments as of December 31, 2016.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 29,487,815	\$ 273,570	\$ -	\$ 29,761,385
Construction in progress	<u>5,656,332</u>	<u>23,327,251</u>	<u>6,707,477</u>	<u>22,276,106</u>
Total capital assets, not depreciated	<u>35,144,147</u>	<u>23,600,821</u>	<u>6,707,477</u>	<u>52,037,491</u>
<u>Capital Assets Being Depreciated</u>				
Immovable property	221,721,633	6,707,477	3,833,627	224,595,483
Moveable property and equipment	<u>18,292,766</u>	<u>990,792</u>	<u>1,256,288</u>	<u>18,027,270</u>
Total capital assets	<u>240,014,399</u>	<u>7,698,269</u>	<u>5,089,915</u>	<u>242,622,753</u>
<u>Less Accumulated Depreciation For</u>				
Immovable property	106,138,906	9,280,006	1,420,290	113,998,622
Moveable property and equipment	<u>14,641,422</u>	<u>996,563</u>	<u>1,187,058</u>	<u>14,450,926</u>
	<u>120,780,328</u>	<u>10,276,569</u>	<u>2,607,349</u>	<u>128,449,548</u>
<u>Total Capital Assets Being Depreciated (net)</u>	<u>119,234,071</u>	<u>(2,578,300)</u>	<u>2,482,566</u>	<u>114,173,205</u>
Total Capital Assets (net)	<u>\$ 154,378,218</u>	<u>\$ 21,022,521</u>	<u>\$ 9,190,043</u>	<u>\$ 166,210,696</u>

Depreciation expense for 2016 is charged to the following functions in the statement of activities:

Administrative and planning	\$ 964,991
Maintenance department operations	591,312
Recreation, program operations	6,977,397
Golf operations	1,233,836
Zoo operations	<u>509,033</u>
	<u>\$ 10,276,569</u>

During August 2016, the Parish of East Baton Rouge experienced widespread flooding which affected several park and other recreation facilities. In accordance with GASB Codification Section 1400, the Commission determined that the facilities were impaired as a result of the damage and recorded a loss of \$2,390,810 for the year ended December 31, 2016.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS**

A. **DEFINED BENEFIT PLANS**

**Employees' Retirement System of the City of Baton Rouge, Parish of East Baton Rouge (CPERS)**

The Commission is a participating employer in a cost-sharing defined benefit pension plan. This plan is administered by the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS). The Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge maintains the authority to establish and amend plan benefits. The system is administered by a separate board of trustees and is a component unit of the City of Baton Rouge and Parish of East Baton Rouge.

The System issues an annual publicly available financial report that includes the financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

CPERS:  
209 Saint Ferdinand St.  
Baton Rouge, Louisiana  
70802  
(225) 389-3272  
[www.brgov.com/dept/ers](http://www.brgov.com/dept/ers)

The Commission has implemented Government Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68*. These standards require the Commission to record its proportional share of the pension plan's Net Pension Liability and report the following disclosures:

**Plan Description**

The Retirement System was created by The Plan of Government and is governed by a seven-member Board of Trustees (the Board). The Board is responsible for administering the assets of the Retirement System and for making policy decisions regarding investments. Four of the trustees are elected members of the Retirement System. Two are elected by non-police and non-fire department employees, and one trustee each is elected by the police and fire department employees. The remaining membership of the Board consists of one member appointed by the Mayor-President, and two members appointed by the Metropolitan Council. The Metropolitan Council maintains the authority to establish and amend plan benefits.

**Retirement Benefits**

The following is a description of the plan and its benefits, and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement System as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system, or those covered under a collective bargaining agreement. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

A. Normal Retirement

An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: 1.) full retirement benefits and 2.) 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. In cases of 20 or more and less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

B. Deferred Retirement Option Program (DROP)

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are employees who are eligible for retirement, but have chosen to continue employment for a maximum of five years if the member has 25 years of creditable service, or three years if the member has at least 10 but less than 25 years and is age 55 or older. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses, or until the employee discontinues employment, whichever comes first. These accounts bear interest beginning with the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan. Five year participation in the DROP after 25 years of service is also a guaranteed benefit available to members who transferred membership to MPERS. Because MPERS provides for only a three-year DROP, CPERS guarantees the balance of DROP participation, not to exceed the five-year maximum. Penalty provisions remain in place for these members as well.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

**Funding Policy**

CPERS plan members contributed a percentage of their annual covered salary, which is stipulated in Part IV, Subpart 2, Sec. 1:264(A) 1 (b) of the City-Parish Code of Ordinances. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at rates annually determined by the CPERS's actuary. The Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge has authority over to determine employee contributions to CPERS.

Contributions to the plan are required and determined by the East Baton Rouge Metropolitan Council and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2016, for the Commission and covered employees were as follows:

Commission	Employees
31.37%	9.50%

The contributions made to the System for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

December 31,		
2016	2015	2014
\$ 5,132,391	\$ 4,859,558	\$ 4,494,832

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The following schedule lists the Commission's proportionate share of the Net Pension Liability allocated by the pension plan as of the respective measurement date for the plan. The Commission uses this measurement to record its Net Pension Liability and associated amounts as of December 31, 2016 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used as of the respective measurement date along with the change compared to the immediately prior measurement date. The Commission's proportion of the Net Pension Liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

<u>Measurement Date</u>	<u>Net Pension Liability at Measurement Date</u>	<u>Rate at Measurement Date</u>	<u>Increase (Decrease) to Prior Year Rate</u>
December 31, 2015	\$ 66,194,382	11.47655%	0.02840%

The Commission's recognized pension expense for the year ended December 31, 2016 was \$9,882,236.

At December 31, 2016, the Commission reported deferred outflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 238,508
Changes of assumptions	4,092,046
Net difference between projected and actual earnings on pension plan investments	9,797,431
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,734,676
Differences between allocated and actual contributions	223,072
Employer contributions subsequent to the measurement date	<u>5,132,391</u>
Total	<u>\$ 21,218,124</u>

The Commission reported a total of \$5,132,391 as deferred outflow of resources related to pension contributions made subsequent to the measurement which will be recognized as a reduction in Net Pension Liability in the year ended December 31, 2017.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Deferral Period	CPERS
2017	\$ 4,993,563
2018	4,993,563
2019	4,125,195
2020	1,973,413
	\$ 16,085,733

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of the measurement period for each plan are as follows:

<b>Valuation Date</b>	December 31, 2015														
<b>Actuarial Cost Method</b>	Entry Age Normal														
<b>Actuarial Assumptions:</b>															
<b>Expected Remaining</b>															
<b>Service Lives</b>	4 years														
<b>Investment Rate of Return</b>	7.25% net of investment expenses														
<b>Inflation Rate</b>	2.75% per annum														
<b>Mortality</b>	RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019														
	RP-2000 Disabled Mortality Projected with Scale BB to 2019														
<b>Salary Increases</b>	<table> <thead> <tr> <th style="text-align: left;"><i>Age</i></th> <th style="text-align: left;"><i>Increase</i></th> </tr> </thead> <tbody> <tr> <td>30</td> <td>2.50%</td> </tr> <tr> <td>35</td> <td>1.50%</td> </tr> <tr> <td>40</td> <td>1.25%</td> </tr> <tr> <td>45</td> <td>0.75%</td> </tr> <tr> <td>50</td> <td>0.50%</td> </tr> <tr> <td>55</td> <td>0.00%</td> </tr> </tbody> </table>	<i>Age</i>	<i>Increase</i>	30	2.50%	35	1.50%	40	1.25%	45	0.75%	50	0.50%	55	0.00%
<i>Age</i>	<i>Increase</i>														
30	2.50%														
35	1.50%														
40	1.25%														
45	0.75%														
50	0.50%														
55	0.00%														
<b>Cost of Living Adjustments</b>	None														



**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

The following describes the method used by the retirement systems in determining the long term rate of return on pension plan investments:

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

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Cash	0.0%	0.00%
Domestic equity	25.0%	4.97%
International equity	25.0%	6.79%
Domestic fixed income	30.0%	1.75%
International fixed income	0.0%	0.00%
Alternatives	15.0%	7.15%
Real assets	5.0%	5.71%
Total	<u>100.0%</u>	

***Discount Rate***

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for CPERS 7.25% for the measurement period year ended December 31, 2015.

**RECREATION AND PARK COMMISSION FOR  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

A. **DEFINED BENEFIT PLANS** (continued)

**Retirement Benefits** (continued)

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Commission's proportionate share of the Net Pension Liability (NPL) using the discount rate of the Retirement System as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by the retirement system:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Rates	6.25%	7.25%	8.25%
Commission's Share of NPL	\$ 86,943,308	\$ 66,194,382	\$ 48,848,339

**Payables to the Pension Plan**

The Commission recorded accrued liabilities to CPERS for the year ended December 31, 2016 mainly due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as due to others. The balance due to the retirement system at December 31 is \$268,587.

**Carpenters' Union and Electrical Workers' Union**

Certain employees are members of union benefit plans, which include defined benefit pension plans, as required by the terms of the collective bargaining agreements. For the Carpenters' Union plan and the Electrical Union Members' plans, the plan members are required to contribute 5% and 3.7%, respectively, of their annual covered payroll while the Commission contributes at a rate of 17.9% and 21.4%, respectively. Contributions to the plans were as follows for the past two years:

2016	\$115,211
2015	\$64,934

Information regarding these plans can be obtained from their respective administrative centers.

- United Brotherhood of Carpenter and Joiners  
6755 Airline Highway  
Baton Rouge, LA 70805
- National Electrical Contractors Association  
13454 Jefferson Highway  
Baton Rouge, LA 70817

**RECREATION AND PARK COMMISSION FOR  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. **RETIREMENT SYSTEMS** (continued)

B. **DEFERRED COMPENSATION PLAN**

The purpose of the deferred compensation plan is to provide retirement benefits to the participants while affording the maximum portability of these benefits to the participants.

The deferred compensation plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the deferred compensation plan and purchase retirement benefits through contracts provided by designated companies.

Total contributions by the Commission are 4% of the covered payroll. The participant's contribution (4%), less any monthly fee required to cover the cost of administration and maintenance of the deferred compensation plan, is remitted to the designated company or companies. Benefits payable to participants are not the obligations of the Commission. Such benefits and other rights of the deferred compensation plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the deferred compensation plan each were approximately \$151,000 for the year ended December 31, 2016.

6. **OTHER POST-EMPLOYMENT BENEFITS**

The Commission provides medical and life insurance benefits to its retired employees and this practice constitutes a single-employer post-employment benefit plan for purposes of applying Government Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions* (GASB 45).

**Plan Description.** Substantially all full-time employees are eligible to participate in the Plan. Employees are eligible upon entering retirement or exiting from D.R.O.P. Substantially all employees are covered by the Baton Rouge City Parish Retirement System. The retirement eligibility (D.R.O.P. entry) provision in order to obtain the full retirement benefit formula is 25 years of service at any age. There is a graded formula based on service at retirement to determine the percentage of the total medical premium paid by the employer: 73% for 25 or more years of service; 55% for 20-24 years of service; 37% for 15-19 years of service. Because of these two interacting provisions, it has been assumed that D.R.O.P. entry would occur at the earliest of the following: 25 years of service; age 55 and 20 years of service; age 60 and 10 years of service.

**Contribution Rates.** Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Funding Policy.** Until 2008, the Commission recognized the cost of providing post-employment medical benefits (the Commission's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2008, with the adoption of GASB 45, the cost of benefits was recognized over the period of employment. In 2016 and 2015, the Commission's portion of health care and life insurance funding cost for retired employees totaled \$415,816 and \$442,906, respectively. This amount was applied toward the Net OPEB Benefit Obligation as earned and as shown in the following table.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. OTHER POST-EMPLOYMENT BENEFITS** (continued)

**Annual Required Contribution.** The Commission's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2016</u>	<u>2015</u>
Normal cost	\$ 423,128	\$ 352,163
30-year UAL amortization amount	775,723	719,681
Annual required contribution (ARC)	<u>\$ 1,198,851</u>	<u>\$ 1,071,844</u>

**Net Post-employment Benefit Obligation.** The table below shows the Commission's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	<u>2016</u>	<u>2015</u>
Beginning Net OPEB Obligation	\$ 3,846,384	\$ 3,275,855
Annual required contribution	1,198,851	1,071,844
Interest on Net OPEB Obligation	153,856	131,034
ARC Adjustment	(222,437)	(189,443)
OPEB Cost	1,130,270	1,013,435
Current year retiree premium	(415,816)	(442,906)
Change in Net OPEB Obligation	714,454	570,529
Ending Net OPEB Obligation	<u>\$ 4,560,838</u>	<u>\$ 3,846,384</u>

The following table shows the Commission's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) liability:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability (Asset)</u>
December 31, 2016	\$ 1,130,270	37%	\$ 4,560,838
December 31, 2015	\$ 1,013,435	44%	\$ 3,846,384
December 31, 2014	\$ 982,415	42%	\$ 3,275,855

**RECREATION AND PARK COMMISSION FOR  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. OTHER POST-EMPLOYMENT BENEFITS** (continued)

**Funded Status and Funding Progress.** In 2016 and 2015, the Commission made no contributions to its post-employment benefits plan other than payment of current year retiree premiums. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2016 was \$13,950,269 which is defined as that portion, as determined by a particular actuarial cost method (the Commission uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

		<u>2016</u>		<u>2015</u>
Actuarial Accrued Liability (AAL)	\$	13,950,269	\$	12,942,564
Actuarial Value of Plan Assets (AVP)		-		-
Unfunded Act. Accrued Liability (UAAL)	\$	<u>13,950,269</u>	\$	<u>12,942,564</u>
Funded Ratio (AVP/AAL)		0.00%		0.00%
Covered Payroll (active plan members)	\$	16,587,799	\$	16,333,151
UAAL as a percentage of covered payroll		84.10%		79.24%

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Commission and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Commission and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Commission and plan members in the future.

Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Turnover Rate.** An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 21%.

**Post-employment Benefit Plan Eligibility Requirements.** It is assumed that entitlement to benefits will commence five years after earliest assumed entry into the D.R.O.P. This consists of the five year D.R.O.P. period without any additional delay. It has been assumed that D.R.O.P. entry would occur at the earliest of the following: 25 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. Entitlement to benefits continue through Medicate to death.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. OTHER POST-EMPLOYMENT BENEFITS** (continued)

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio under professional management.

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The medical rates provided are "blended" rates for active and retired before Medicare eligibility. Since "unblended" rates are required by GASB 45 for valuation purposes, we have estimated the unblended retiree rates for pre-Medicare eligibility as being 130% of the blended rates and 80% of the blended rates for post-Medicare eligibility.

**Inflation Rate** - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Post-retirement Benefit Increases** - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**7. LONG-TERM LIABILITIES**

The following is a summary of the changes in general long-term obligations for the year ended December 31, 2016:

	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Tax revenue bonds	\$ 40,165,000	\$ -	(\$ 3,645,000)	\$ 36,520,000
Compensated absences payable	2,693,123	1,094,217	( 1,093,687)	2,693,653
Net pension liability	50,341,635	20,985,138	( 5,132,391)	66,194,382
Net other post-employment obligation	3,846,384	714,454	( - )	4,560,838
Claims payable	2,131,401	4,530,357	( 4,911,758)	1,750,000
Total	<u>\$ 99,177,543</u>	<u>\$ 27,324,166</u>	<u>(\$ 14,782,836)</u>	<u>\$ 111,718,873</u>

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

7. **LONG-TERM LIABILITIES** (continued)

The above liabilities will be liquidated through the following funds: tax revenue bonds – debt service fund; compensated absences, net pension liability and other post employment obligation – general fund; and claims payable – internal service funds.

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2016:

	Current	Long-Term
Tax revenue bonds	\$ 3,725,000	\$ 32,795,000
Compensated absences payable	-	2,693,653
Net pension liability	-	66,194,382
Net other post-employment obligation	-	4,560,838
Claims payable	550,000	1,200,000
Total	\$ 4,275,000	\$ 107,443,873

As of the beginning of 2012, the Commission's bonds payable included Series 2005 Tax Revenue Bonds, originally issued for \$45,000,000 and secured by a pledge and dedication of a 3.253 mill property tax approved pursuant to the Imagine Your Parks Program. In August, 2012 the Commission issued \$31,190,000 of taxable refunding bonds, Series 2012A, for the purpose of advance refunding \$27,335,000 of the Series 2005 bonds and paying the costs of issuance. The refunding bonds are due in annual installments through May, 2025 at an interest rate of 2.13%.

The proceeds of the refunding bonds were placed into escrow and invested in risk-free U.S. Government Securities. Accordingly, the refunded portion of the 2005 Tax Revenue Bonds were removed from the Commissions' Statement of Net Position. The Series 2005 bonds held by the Commission and the related advance refunded 2005 bonds were retired during 2015.

In connection with the refunding, the Commission paid an up-front cost that resulted in an accounting loss of \$3,001,256 which will be systematically recognized over the life of the refunded bonds as an adjustment to interest expense and which is recognized as deferred outflow on the entity-wide financial statements. As of December 31, 2016, \$1,032,899 of the deferred outflow had been amortized to interest expense resulting in a remaining deferred amount on refunding of \$1,968,357 carried on the entity-wide statement of net position. Amortization of the loss for 2016 was \$233,864.

In October, 2012, the Commission issued \$13,000,000 of Series 2012B Limited Ad Valorem Tax Revenue Bonds for purpose of funding capital improvements in furtherance of the Imagine Your Parks Program which are also secured by a pledge and dedication of the 3.253 mill property tax. The bonds are due in annual installments through May, 2025 at an interest rate of 2.13%.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**7. LONG-TERM LIABILITIES** (continued)

Bonds outstanding were as follows at December 31, 2016:

	<u>Date of Issue</u>	<u>Original Balance</u>	<u>Ending Balance</u>
Series 2012 A Limited Tax Revenue Refunding Bonds 2.13%	08/02/12	\$ 31,190,000	\$ 26,855,000
Series 2012 B Limited Tax Revenue Bonds 2.13%	11/06/12	<u>13,000,000</u>	<u>9,665,000</u>
		<u>\$ 44,190,000</u>	<u>\$ 36,520,000</u>

Combined debt service requirements for all outstanding debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	3,725,000	738,205	4,463,205
2018	3,800,000	658,064	4,458,064
2019	3,885,000	576,218	4,461,218
2020	3,970,000	492,563	4,462,563
2021	4,055,000	407,096	4,462,096
2022-2025	<u>17,085,000</u>	<u>737,353</u>	<u>17,822,353</u>
	<u>\$ 36,520,000</u>	<u>\$ 3,609,499</u>	<u>\$ 40,129,499</u>

**8. INTERFUND TRANSACTIONS**

Interfund receivable/payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 10,775,727	\$ -
Debt Service Fund	3,250,258	-
Enhancement Construction Fund	5,191,507	4,048,252
Capital Improvement Fund	-	3,358,044
Special Revenue Enhancement Fund	-	11,502,327
Internal Services Fund	<u>208,668</u>	<u>517,537</u>
Total	<u>\$ 19,426,160</u>	<u>\$ 19,426,160</u>



**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**8. INTERFUND TRANSACTIONS (continued)**

Interfund receivables and payables are recorded for the various funds' accrued portion of property taxes that are collected by other funds, and for amounts owed to the general fund as a result of expenditures paid by the general fund that are to be reimbursed by other funds.

Transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 5,485,085
Debt Service Fund	-	3,536,448
Enhancement Construction Fund	-	2,783,955
Special Revenue Enhancement Fund	11,805,488	-
Total	\$ 11,805,488	\$ 11,805,488

The purpose of interfund transfers is to move property taxes collected by the Special Revenue Enhancement Fund in accordance with the terms of the general bond resolution of the Commission, to provide operating enhancements to the general fund, to provide monies for construction to the Enhancement Construction Fund and to cover required debt service payments.

**9. RISK MANAGEMENT**

The Commission manages each type of risk individually and to differing degrees of assumed risk, or self-insured risk. Components of the Commission's risk management activities include general liability, unemployment compensation, worker's compensation, employee health, vehicle liability and property damage.

General liability has no insurance policies to serve as stop loss. The Commission is at risk for the full amount of all general liability claims.

Worker's compensation and employee health plan losses are covered by excess insurance policies, and professional administrators are contracted by the Commission to adjust and manage their respective claims. The self-insured retainer for worker's compensation is \$650,000 per occurrence, and for employee health is \$125,000 per occurrence.

Vehicle liability and property damage are covered by insurance, and the insurance companies are responsible for payment of claims exceeding the deductible. The deductible for vehicle liability is \$50,000 per occurrence and for property damage is \$250,000 per occurrence. The Commission assumes the high deductibles to have lower insurance premiums.

In accordance with GASB Codification Section C50 - "Claims and Judgements" the Commission accounts for and reports risk management activities in the internal service funds using the accrual basis of accounting. Claims paid under the self-insurance risk activities are recorded as expenses. There were no major changes in insurance coverage for the year ended December 31, 2016.

The Commission provides medical insurance benefits to its full-time employees who choose to participate. Employees pay the full cost of additional premiums for plans with higher coverage benefits. Cost to the Commission for employee health benefits in 2016 was \$4,004,147.

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**9. RISK MANAGEMENT** (continued)

A reconciliation of the unpaid claims liabilities as of December 31, 2016 follows:

	Employee Benefits Fund	Risk Management Fund	Total
Unpaid claims as of January 1, 2016	\$ 750,000	\$ 1,381,401	\$ 2,131,401
Current year claims incurred and changes in estimates	3,523,142	1,274,226	4,797,368
Claims paid	(4,023,142)	(1,155,627)	(5,178,769)
Unpaid claims as of December 31, 2016	<u>\$ 250,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,750,000</u>

The claims liability is shown in the accompanying internal service fund financial statements as:

	Employee Benefits Fund	Risk Management Fund	Total
Short-term	\$ 250,000	\$ 300,000	\$ 550,000
Long-term	-	1,200,000	1,200,000
Total	<u>\$ 250,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,750,000</u>

**10. GOVERNMENTAL FUND BALANCE**

Details of the fund balance categories at year-end are as follows:

	General Fund	CIP	Debt Service	Enhancement Construction
Nonspendable				
Inventory	\$ 433,305	\$ -	\$ -	\$ -
Spendable				
Restricted for:				
Capital Improvements	-	15,732,707	-	-
Debt Service	-	-	4,463,205	-
Grants	22,400	112,150	-	15,603
Committed to:				
Knock-Knock Children's Museum	-	-	-	-
Mineral Endowment	1,342,965	-	-	-
Assigned to:				
Strategic Master Plan	10,871,897	-	-	11,657,761
Self-Insurance	3,500,000	-	-	-
Retirement Benefit	4,600,000	-	-	-
Self-Insurance (Health)	4,800,000	-	-	-
Working Capital	6,126,000	-	-	-
Emergency Funds and Other	6,126,000	-	-	-
Total Constrained Fund Balance	<u>\$37,822,567</u>	<u>\$15,844,857</u>	<u>\$ 4,463,205</u>	<u>\$11,673,364</u>
Unassigned Fund Balances	<u>20,776,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$58,598,648</u>	<u>\$15,844,857</u>	<u>\$ 4,463,205</u>	<u>\$11,673,364</u>

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**10. GOVERNMENTAL FUND BALANCE (continued)**

The Commission has adopted the following policy related to its General Fund assigned fund balance:

The working capital (assigned) minimum is \$6,000,000, with a target of 8.5% of total revenues. That target level resulted in a fund balance target of \$6,126,000.

The emergency funds (assigned) minimum limit is \$6,000,000 with a target of 8.5% of total revenues. That target level resulted in a fund balance target of \$6,126,000.

For unassigned fund balances, the desirable target is 50% of total revenues, yet it will not be allowed to fall below 20% of total revenues. The amount presented on the annual financial report for 2016 is \$20,776,081, which equals 28% of total revenue.

Within the policy guidelines above, the Commission has given management the authority to assign fund balance based on intentions for use.

**11. LITIGATION AND CLAIMS**

In the ordinary course of business, the Commission is a defendant in a number of lawsuits and claims, both asserted and unasserted. Although the outcome of these lawsuits and certain claims is not presently determinable, the Commission's legal counsel intends to vigorously defend these matters so that adverse effects to the Commission are minimized. For most of these matters the resolution will not have a material adverse effect on the financial condition of the Commission. However, for certain matters, if the plaintiff or claimant was successful, the ultimate liability to the commission could be significant. Estimated losses to the Commission are recognized in the Government-Wide Financial Statements and the Risk Management Fund to the extent that they are determined to be probable and estimable. The Commission is completely self-insured with respect to general liability claims, including the aforementioned lawsuits.

**12. COMMITMENTS AND SHORT-TERM BORROWING**

As of December 31, 2016, the Commission had entered into 83 contracts for a variety of park renovation projects as part of its "Imagine Your Parks" Program and its Capital Improvements Program. The Commission is obligated for approximately \$12,532,000 for completion of those projects.

On December 29, 2016, the Commission entered into a Certificate of Indebtedness for a tax anticipation note payable in an amount not to exceed \$6,000,000. The note matured on June 1, 2017. The interest rate was 1.24%. The note was secured by a pledge of revenues. The Commission subsequently made one draw and repayment in the amount of \$50,000 plus applicable interest.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**REQUIRED SUPPLEMENTAL INFORMATION – PART II**

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b><u>Revenues:</u></b>				
Local sources:				
Ad valorem taxes	\$ 35,191,775	\$ 35,191,775	\$ 35,082,335	\$ (109,440)
Recreation activity fees	10,342,790	10,342,790	9,839,713	(503,077)
Other	293,500	293,500	461,808	168,308
State sources:				
Revenue sharing	1,260,000	1,260,000	1,213,101	(46,899)
Restricted grants-in-aid	231,000	231,000	-	(231,000)
Total revenues	<u>47,319,065</u>	<u>47,319,065</u>	<u>46,596,957</u>	<u>(722,108)</u>
<b><u>Expenditures:</u></b>				
Current:				
Administrative and planning	10,964,859	10,964,859	10,173,964	790,895
Program activities	40,228,373	40,228,373	35,779,290	4,449,083
Capital outlay	<u>3,000,253</u>	<u>3,000,253</u>	<u>3,463,620</u>	<u>(463,367)</u>
Total expenditures	<u>54,193,485</u>	<u>54,193,485</u>	<u>49,416,874</u>	<u>4,776,611</u>
Excess (deficiency) of revenues over expenditures	<u>(6,874,420)</u>	<u>(6,874,420)</u>	<u>(2,819,917)</u>	<u>4,054,503</u>
<b><u>Other financing sources (uses):</u></b>				
Operating transfers out	-	-	-	-
Operating transfers in	<u>5,762,685</u>	<u>5,762,685</u>	<u>5,485,085</u>	<u>(277,600)</u>
Total other financing sources (uses)	<u>5,762,685</u>	<u>5,762,685</u>	<u>5,485,085</u>	<u>(277,600)</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	(1,111,735)	(1,111,735)	2,665,168	3,776,903
Fund balances, December 31, 2015	<u>46,061,013</u>	<u>46,061,013</u>	<u>55,933,480</u>	<u>9,872,467</u>
FUND BALANCES, DECEMBER 31, 2016	<u>\$ 44,949,278</u>	<u>\$ 44,949,278</u>	<u>\$ 58,598,648</u>	<u>\$ 13,649,370</u>

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**SPECIAL REVENUE ENHANCEMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Enhancement Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b><u>Revenues:</u></b>				
Local sources:				
Taxes:				
Ad valorem	\$ 12,872,690	\$ 12,872,690	\$ 12,130,031	\$ (742,659)
Earnings on investments	-	-	34,207	34,207
Total revenues	<u>12,872,690</u>	<u>12,872,690</u>	<u>12,164,238</u>	<u>(708,452)</u>
<b><u>Expenditures:</u></b>				
Current:				
Administrative	375,000	375,000	358,750	16,250
Total expenditures	<u>375,000</u>	<u>375,000</u>	<u>358,750</u>	<u>16,250</u>
Excess (deficiency) of revenues over expenditures	<u>12,497,690</u>	<u>12,497,690</u>	<u>11,805,488</u>	<u>(692,202)</u>
<b><u>Other financing sources (uses):</u></b>				
Operating transfers out	<u>(12,497,690)</u>	<u>(12,497,690)</u>	<u>(11,805,488)</u>	<u>692,202</u>
Total other financing sources (uses)	<u>(12,497,690)</u>	<u>(12,497,690)</u>	<u>(11,805,488)</u>	<u>692,202</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	-	-	-	-
Fund balances, December 31, 2015	-	-	-	-
FUND BALANCES, DECEMBER 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**OTHER POST-EMPLOYMENT BENEFITS PLAN  
RETIREE HEALTH AND LIFE INSURANCE PROGRAMS  
YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF FUNDING PROGRESS**

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) a)	(b- Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2016	1/1/2016	\$ -	\$ 13,950,269	\$ 13,950,269	0.00%	\$ 16,587,799	84%
12/31/2015	1/1/2015	-	12,942,564	12,942,564	0.00%	16,333,151	79%
12/31/2014	1/1/2014	-	12,444,773	12,444,773	0.00%	15,012,861	83%
12/31/2013	1/1/2013	-	12,399,722	12,399,722	0.00%	15,809,449	78%
12/31/2012	1/1/2012	-	11,922,810	11,922,810	0.00%	16,453,160	72%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Costs Contributed	Increase (Decrease) to Net OPEB Obligation	Net OPEB Obligation
12/31/2016	\$ 1,130,270	\$ 415,816	36.79%	\$ 714,454	\$ 4,560,838
12/31/2015	1,013,435	442,906	43.70%	570,529	3,846,384
12/31/2014	982,415	410,098	41.74%	572,317	3,275,855
12/31/2013	980,840	489,399	49.90%	491,441	2,703,538
12/31/2012	950,465	453,147	47.68%	497,318	2,212,097

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COST-SHARING DEFINED BENEFIT PLAN**  
**FOR THE YEARS ENDED DECEMBER 31st (\*)**

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	11.4766%	11.4482%
Employer's Proportionate Share of the Net Pension Liability	\$ 66,194,382	\$ 50,341,635
Employer's Covered-Employee Payroll	\$ 15,911,560	\$ 15,134,118
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	416.0144%	332.6367%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.95%	70.95%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

(\*) The amounts presented have a measurement date of the previous fiscal year end of the retirement system.



**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**COST-SHARING DEFINED BENEFIT PLAN**  
**FOR THE YEARS ENDED DECEMBER 31st**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 5,132,391	\$ 4,859,558
Contributions in relation to Contractually Required Contribution	5,132,391	4,859,558
Contribution Deficiency (Excess)	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 16,360,826	\$ 15,911,560
Contributions as a Percentage of Covered Employee Payroll	31.37%	30.54%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**

**BATON ROUGE, LOUISIANA**

**OTHER SUPPLEMENTAL INFORMATION**

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF COMPENSATION PAID TO THE HEAD OF COMMISSION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Superintendent:

Carolyn McKnight

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 169,859
Benefits - life insurance	679
Benefits - medical insurance (Commission paid)	7,839
Benefits - retirement system contributions/mandatory	53,285
Car allowance	7,430
Cell phone	1,884
Dues	260
Reimbursements	33
Conference travel	8,788
	<u>\$ 250,057</u>

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**  
**BATON ROUGE, LOUISIANA**

**GENERAL FUND COMBINING SCHEDULE**  
**BALANCE SHEET**  
**DECEMBER 31, 2016**

	General Fund	Enhancement Operating Fund	Eliminations	Total
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 11,016,021	\$ 6,914,054	\$ -	\$ 17,930,075
Accounts receivable	863,049	-	-	863,049
Ad valorem taxes receivable	35,812,397	-	-	35,812,397
Inventory	433,305	-	-	433,305
Due from other funds	5,936,613	5,343,755	(504,641)	10,775,727
<b>TOTAL ASSETS</b>	<b>54,061,385</b>	<b>12,257,809</b>	<b>(504,641)</b>	<b>65,814,553</b>
<b><u>DEFERRED OUTFLOWS</u></b>				
	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 54,061,385</b>	<b>\$ 12,257,809</b>	<b>\$ (504,641)</b>	<b>\$ 65,814,553</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	2,479,446	759,734	-	3,239,180
Accrued expenses payable	1,192,537	121,537	-	1,314,074
Due to other funds	-	504,641	(504,641)	-
<b>TOTAL LIABILITIES</b>	<b>3,671,983</b>	<b>1,385,912</b>	<b>(504,641)</b>	<b>4,553,254</b>
<b><u>DEFERRED INFLOWS</u></b>	<b>2,662,651</b>	<b>-</b>	<b>-</b>	<b>2,662,651</b>
<b><u>FUND BALANCE</u></b>				
Nonspendable	433,305	-	-	433,305
Spendable:				
Restricted	22,400	-	-	22,400
Committed	1,342,965	-	-	1,342,965
Assigned	25,152,000	10,871,897	-	36,023,897
Unassigned	20,776,081	-	-	20,776,081
<b>TOTAL FUND BALANCE</b>	<b>47,726,751</b>	<b>10,871,897</b>	<b>-</b>	<b>58,598,648</b>
<b>TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 54,061,385</b>	<b>\$ 12,257,809</b>	<b>\$ (504,641)</b>	<b>\$ 65,814,553</b>

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
BATON ROUGE, LOUISIANA**

**GENERAL FUND COMBINING SCHEDULE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Enhancement Operating Fund	Eliminations	Total
<b>REVENUES</b>				
Local sources:				
Ad valorem taxes	\$ 35,082,335	\$ -	\$ -	\$ 35,082,335
Recreation activity fees	9,839,713	-	-	9,839,713
Earnings on investments	160,097	46,442	-	206,539
Donations and miscellaneous	251,507	3,762	-	255,269
State sources:				
Revenue sharing	1,213,101	-	-	1,213,101
Restricted grants-in-aid	-	-	-	-
<b>TOTAL REVENUES</b>	<b>46,546,753</b>	<b>50,204</b>	<b>-</b>	<b>46,596,957</b>
<b>EXPENDITURES</b>				
Current:				
Administrative and planning	10,088,154	85,810	-	10,173,964
Maintenance department operations	11,322,949	-	-	11,322,949
Recreation program operations	12,195,272	-	-	12,195,272
Golf operations	5,426,723	-	-	5,426,723
Zoo operations	4,938,287	-	-	4,938,287
Aquatics and therapeutics	1,154,516	-	-	1,154,516
Flood relief operations	741,543	-	-	741,543
Capital outlay	1,002,211	2,461,409	-	3,463,620
<b>TOTAL EXPENDITURES</b>	<b>46,869,655</b>	<b>2,547,219</b>	<b>-</b>	<b>49,416,874</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(322,902)</b>	<b>(2,497,015)</b>	<b>-</b>	<b>(2,819,917)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
Transfers in	-	5,485,085	-	5,485,085
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>5,485,085</b>	<b>-</b>	<b>5,485,085</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>				
	(322,902)	2,988,070	-	2,665,168
Fund Balance, December 31, 2015	48,049,653	7,883,827	-	55,933,480
Fund Balance, December 31, 2016	<u>\$ 47,726,751</u>	<u>\$ 10,871,897</u>	<u>\$ -</u>	<u>\$ 58,598,648</u>

**OTHER REPORTS REQUIRED**  
**BY GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Recreation and Park Commission  
for the Parish of East Baton Rouge  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Commission's Response to Findings**

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Paath Murthy + Nettamilla*

Baton Rouge, Louisiana  
June 29, 2017



**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
SCHEDULE OF FINDINGS AND RESPONSES**

**2016-001**

**Reconciliations of Cash and other General Ledger Accounts**

**Criteria:**

Reconciliation of cash, other asset and liability accounts as recorded on the accounting general ledger should be reconciled to the balances reported by banks or other sub-ledgers on a monthly basis.

**Condition:**

Cash, other asset accounts as well as certain liability accounts as recorded on the accounting general ledger were not completely reconciled to underlying records for a significant portion of 2016. While we acknowledge that the reconciliation for the bank accounts was occurring on an ongoing basis, certain unreconciled differences remained unaddressed. Additionally, certain other balance sheet accounts, including payroll withholding accounts and inventory, were not reconciled timely. This is a repeat finding from the prior period.

**Cause:**

The Commission's finance department continues to experience significant turnover. Additionally, a new accounting software system was implemented in 2014 and a new payroll system was implemented in 2015 which also complicated the reconciliation process.

**Effect:**

The general ledger is the basis for producing most financial reports for the Commission. Without reconciliation of the general ledger to underlying sub-ledgers and bank statements, those financial reports may be prone to misstatement due to fraud or error.

**Recommendation:**

The Commission should take the steps necessary to ensure that reconciliations of all general ledger asset, liability, and capital outlay expenditure accounts, are maintained and reviewed on a monthly basis.

**Management's Response  
& Corrective Plan:**

*BREC is in the process of reviewing all asset and liability accounts to prioritize and ensure that all major accounts have been reconciled. BREC is bringing in additional professional assistance in the current fiscal year to move the reconciliation project forward more quickly. The process of staff training and software familiarity continues to impede the reconciliation project, however the addition of a revenue accountant and a reconciliation clerk during FY 2016 is having a positive effect. In addition, we acknowledge the reconciliations have been delayed, however, there is no indication of fraud or material errors in any of the accounts.*

**RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2015-01**

**Reconciliations of Cash and other General Ledger Accounts**

**Criteria:**

Reconciliation of cash, other asset and liability accounts as recorded on the accounting general ledger should be reconciled to the balances reported by banks or other sub-ledgers on a monthly basis.

**Condition:**

Cash, other asset accounts as well as certain liability accounts as recorded on the accounting general ledger were not reconciled to underlying records for a significant portion of 2015.

**Cause:**

The Commission's finance department experienced significant turnover during 2014, including two finance directors and a general ledger accountant with over twenty five years of experience. Additionally, a new accounting software system was implemented in 2014 which also complicated the reconciliation process.

**Effect:**

The general ledger is the basis for producing most financial reports for the Commission. Without reconciliation of the general ledger to underlying sub-ledgers and bank statements, those financial reports may be prone to misstatement due to fraud or error.

**Recommendation:**

The Commission should take the steps necessary to ensure that reconciliations of all general ledger asset, liability, and capital outlay expenditure accounts, are maintained and reviewed on a monthly basis.

**Management's Response  
& Corrective Plan:**

*As stated in the Auditor's Report, a significant contributing factor to this finding was that the finance department experienced substantial turnover during 2014 which included two finance directors and a general ledger accountant with over twenty years of experience. Additionally, the deployment of a new accounting software system in May 2014 and the lack of sufficient training and familiarity with the system was a compounding factor to the lack of reconciliations performed in 2014. Currently, a new finance director is in place and departmental staff has received the additional training and exposure on the new accounting software necessary to perform timely reconciliations. The finance director along with the accounting manager will develop a monthly schedule of closing events, including reconciliations, to ensure all asset and liability accounts are accounted for in the general ledger and any sub-ledgers in order to confirm the accuracy and prevent misstatement of the agency's financial reports. The finance director will verify these procedures are being performed via documented support details on a monthly basis.*

**Current Status:**

This is a repeat finding in the current year.

**RECREATION AND PARK COMMISSION FOR**  
**THE PARISH OF EAST BATON ROUGE**

**REPORT TO MANAGEMENT**

**DECEMBER 31, 2016**



RECREATION AND PARK COMMISSION FOR  
THE PARISH OF EAST BATON ROUGE

REPORT TO MANAGEMENT

DECEMBER 31, 2016

June 29, 2017

Members of the Commission and Management  
Recreation and Park Commission for the Parish of East Baton Rouge  
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission or BREC) for the year ended December 31, 2016, we considered the Commission's internal controls over financial reporting and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. Our consideration does not provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matters that represent an opportunities for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated June 29, 2017 on the financial statements of the Commission.

**A. Purchase Cards**

**Condition:**

The Commission utilizes purchase (credit) cards for small purchases by employees to allow for efficiency of operations. Approximately 200 such cards are in use throughout the park system. While BREC policy requires after the fact review and approval of all purchases by a supervisor and appropriate receipts to allow for adequate review, the existence of such a number of cards presents inherent risks of misuse.

This comment is repeated from the prior year's letter to management dated June 30, 2016.

**Recommendation:**

We recommend that Commission's administration staff revisit and review the number of purchase cards in use and the employees that should be allowed to use them. The administration should consider limiting possession of the cards to only those employees whose job function regularly demonstrates a need for immediate purchasing authority. Additionally, the Commission should clarify in its written policies and procedures the types of transactions are allowed or not allowed to be purchased through the use of the purchase cards, and the positions authorized to possess and review the cards.

**Management's Response:**

*BREC staff will continue to carefully review the number of cards in use. BREC will continue to work closely with the appropriate supervisors and directors to verify that only employees who have a demonstrated need have access to a card. In addition, please note BREC's current purchasing policy as well as the pending revision to that policy both list items that are explicitly restricted from being purchased with the card program. BREC believes that the value of the P-card program is to facilitate small dollar value purchases and minimize administrative effort for low value items and that too much limitation on the card issuance goes against the intended purpose of the program. BREC has elected to operate this program with industry standard controls such as management approval of purchases and review of purchases by Finance. No fraud or abuse has been detected for multiple periods which suggests that the controls are having the desired effect. Finally, BREC intends to move away from the manual log system and towards an online reporting system as soon as a number of technical and policy questions can be answered. We anticipate this change in late 2017 or early 2018 and we believe this will add significant efficiencies to the program.*

**B. Settlement of Interfund Accounts**

**Condition:**

The Commission, as do most governments, utilizes several interfund general ledger accounts to track balances due between its various accounting funds. We noted that the balancing of these accounts is not being performed monthly and the amounts owed to and from are not settled.

This comment is repeated from the prior year's letter to management dated June 30, 2016.

**Recommendation:**

The interfund accounts should be regularly reconciled and settled. We recommend the Commission adopt procedures to ensure these accounts are reconciled on a monthly basis to ensure that all of the accounts balance. Additionally, on a periodic basis the amounts due between the funds should be settled.

**Management's Response:**

*BREC will adopt a more stringent procedure for reconciling the accounts in a timely fashion and settling the accounts on a monthly but no less than quarterly basis.*

**C. Park and Center Fee daily deposit and reconciliations**

**Condition:**

For facilities other than golf, the Commission's policy calls for a daily deposit of fee collections when total receipts on hand equal \$500 or more, and weekly if total receipts on hand are less than \$500. The Commission's procedures also involve reconciliation of the amount deposited to the RecTrac point-of sale system to ensure completeness and accuracy. During our testing of 40 receipt transactions, we noted 4 instances where the deposits at three non-golf facilities were not made timely as per BREC policy. Additionally, an internal audit report identified an instance where a discrepancy between the deposit amount and the RecTrac System in the amount of \$313 was noted. However, changes were made within RecTrec by the system administrator that may have prevented timely detection of this discrepancy.

**Recommendation:**

Compliance with the policy regarding deposit of daily collections should be enforced and clearly communicated. System changes to RecTrec should be approved by the Finance Director or his/her designee.

**Management's Response**

*BREC will continue to clearly communicate the necessity for deposits per the policy and will enforce the policy with employee disciplinary actions up to and including termination. BREC does not believe that all RecTrac changes should require Finance Director approval, but will require this level of approval for any out of the policy transactions such as the ones mentioned in this item.*

**D. Theft of Public Assets**

**Condition:**

Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking anything of economic value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. Two instances, or likely instances, of misappropriation were identified by Commission staff and reported to the Legislative Auditor which are presented in attachment A to this letter.

**Recommendation:**

Employees are to be reminded of the proper procedures and their ethical responsibilities as public servants. We recommend the Commission continue its prosecution and/or pursuit of these matters and that the internal controls be reviewed and potentially revised to deter such instances from occurring in the future.

**Management's Response**

*BREC agrees with reminding employees of their ethical responsibilities and requires employees to fulfill an annual ethics training as a condition of employment. BREC will also continue to review and improve internal controls in order to minimize opportunities for loss or theft.*

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

This report is intended solely for the information and use of the Commission and its management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Postlethwaite + Nettemilk*

**Status or Prior Management Letter Comments****A. Purchase Cards****Condition:**

The Commission utilizes purchase (credit) cards for small purchases by employees to allow for efficiency of operations. Approximately 180 such cards are in use throughout the park system. While BREC policy requires after the fact review and approval of all purchases by a supervisor and appropriate receipts to allow for adequate review, the existence of such a number of cards presents inherent risks of misuse.

**Recommendation:**

We recommend that Commission's administrative staff revisit the number of purchase cards in use and the employees that should be allowed to use them. The staff should consider limiting issuance of the cards to only those employees whose job function regularly demonstrates a need for immediate purchasing authority. Additionally, the Commission should clarify in its policy what types of transactions are allowed or not allowed to be purchased through the use of the purchase cards.

**Management's Response:**

*BREC administrative staff continuously reviews the purchase card program to ascertain an optimal level of card users needed to accommodate the agency's operations adequately. Departmental directors, managers, and supervisors all participate in the determination of card allocation and usage as well as the authorization and review of associated purchases. Finance department staff review purchase card transactions on a monthly basis for a variety of reasons including prior authorization, purchasing policy adherence, appropriateness, proper documentation, departmental review/approval, errors, etc. to reduce the inherent risk of misuse. Additional measures, such as the transition from the current manual log system to an online reporting system, are scheduled in the upcoming months and are expected to add additional internal controls and efficiencies to the program.*

**Current Status:**

The administration has not formally reviewed the use, distribution and possession of purchases cards. Comment is repeated within the current year's letter.

**B. Interfund Transfers****Condition:**

The Commission, as do most governments, makes transfers of monies between its various accounting funds. The Commission's various special revenue and capital projects funds may account for restricted funds (from legislation, tax proposition or creditors), committed funds (formally set aside by the Commission's board) or assigned monies. While the Commission maintains an accounting for the use of transfers of restricted and committed funds to ensure compliance with the terms of the restrictions and commitment set forth by the authoritative source, we noticed that the accounting for the transfers of assigned funds could use improvement.

**Recommendation:**

Best practices call for an accounting for the purpose of transfers among funds. We recommend the Commission consider revising its method of accounting for transfers of assigned funds so that the costs being covered by the transfers are specified and considered for consistency with the intent of management's initial purpose in assigning the funds for a specific purpose.



Management's Response:

BREC implemented a Fund Balance Policy in August 2015 which addressed constraints placed upon how resources can be spent and identifies the sources of those constraints (GASB-54). Additionally, in BREC's 2016 Approved Annual Budget, only legally mandated interfund transfers (bond resolution and previously communicated Commission guidance) were budgeted or listed. All journal entries for transfers contain a comment indicating the cost being covered by the transfer.

Current Status:

Resolved

**C. Policy for Component Units**

**Condition:**

Several legally separate, tax exempt entities currently exist to support various activities of the Commission. These entities include the Friends of the Zoo, the Friends of Magnolia Mound, the BREC Foundation and others. GASB codification Section 2100 requires tax-exempt entities to be included in a primary government's financial statements when all three of the following criteria are met:

- (a) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- (b) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. This access is generally demonstrated through historical receipt of a majority of the component unit's resources or through financial interrelation.
- (c) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The resources of the types of organizations noted above have historically been insignificant to the Commission operations as a whole and have therefore been excluded from BREC's financial statements. However, should these organizations' net assets or support for BREC become significant in future years, these organizations' financial statements should be included in BREC's financial statements as a component unit.

**Recommendation:**

We recommend the Commission adopt a policy for identifying potential component units. This policy would include obtaining reliable financial reporting from those entities in a timely manner each year, and for determining the significance to the Commission's operations as a whole.

**Management's Response:**

*As indicated by our auditors, the economic resources received by the entities listed have historically been insignificant to the Commission operations as a whole to BREC. Yet, we will create a policy describing the financial accountability circumstances, detail the professional judgment used in determining a relationship, and establish a materiality threshold. The policy will be solicited to the referenced entities for inclusion in any current cooperative endeavor agreements and will specify a time for submission of financial reports/information to BREC on an annual basis.*

**Current Status:**

Resolved. A component unit policy was adopted by the Commission.

**D. Maintenance of Purchase Records for Sam's Cards**

**Condition:**

The Commission utilizes credit cards for purchases by employees from Sam's Club. While BREC policy requires supporting documentation for these purchases be maintained and reviewed by supervisory personnel and the accounting department, two of the five items selected for testing lacked supporting documentation.

**Recommendation:**

We recommend the Commission ensure that the records for these transactions are obtained, reviewed, approved and maintained in accordance with BREC policy.

**Management's Response:**

*The position administrating and overseeing the Sam's Club account was vacant for the second half of 2015. BREC agrees with the auditor's recommendation and a recently hired reconciliation clerk, will perform daily, weekly, and monthly reconciling activities on this account. The reconciliation clerk will also ensure all supporting documentation is present and reviewed prior to processing for payment. Additionally, BREC will investigate an alternative to utilization of Sam's Club credit cards entirely and solely employ the standard P-Card.*

**Current Status:**

Resolved

**E. Settlement of Interfund Accounts**

**Condition:**

The Commission, as do most governments, utilizes several interfund accounts to track balances due between its various accounting funds. We noted that the accounting for these balances could use improvement.

**Recommendation:**

The interfund accounts should be regularly reconciled and settled. We recommend the Commission adopt procedures to ensure these accounts are reconciled on a monthly basis to ensure that all of the accounts balance. Additionally, on a periodic basis the amounts due between the funds should be settled.

Management's Response:

*BREC recognizes the ability in enhancing procedures in ensuring interfund account balances settle at month end. The senior accountant will help realize interfund account balances (due to/from) are reconciled on a monthly basis, and amounts due between funds are settled periodically. The finance director along with the accounting manager will continue to monitor development and execution of proper closing activities on a monthly basis.*

**Current Status:**

Not resolved. Comment is repeated within the current year's letter.

**Attachment A to Management Letter**

The following 18 elements of the instances of misappropriation are presented below:

Element of Finding	Misappropriation #1 (Payroll check fraud)	Misappropriation #2 (Missing Tractor)
1 A general statement describing the fraud or misappropriation that occurred.	Employee of the Finance Department fraudulently created payroll checks made payable to herself.	A John Deere Tractor disappeared from the Woody Dumas Golf Course.
2 A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Payroll checks drawn on BREC's payroll bank account.	John Deere Tractor
3 The amount of funds or approximate value of assets involved.	Approximately \$6,700	Replacement value is approximately \$25,000
4 The department or office in which the fraud or misappropriation occurred.	Finance Department	Golf Operations
5 The period of time over which the fraud or misappropriation occurred.	Four months	Nov-16
6 The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Account Clerk 2, former Finance Department Employee	Unkown
7 The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	See above	Unkown
8 Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	No, employee was terminated	Unkown
9 If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	N\A	N\A
10 Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes. Police file 941-17	Yes. EBR Sherriff Office case # 16-00074744
11 What is the status of the investigation at the date of the auditor's/accountant's report?	Employee was arrested.	No person has been identified as having taken the asset.

**Attachment A to Management Letter**

The following 18 elements of the instances of misappropriation are presented below:

Element of Finding	Misappropriation #1 (Payroll check fraud)	Misappropriation #2 (Missing Tractor)
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Yes
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	N/A
14	Has restitution been made or has an insurance claim been filed?	No
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	No restitution. BREC is self insured.
16	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Yes
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	Yes, the issue surfaced during upon employees seeking the equipment in order to perform their routine duties. Matter reported according to policy .
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	Yes, the issue surfaced during upon employees seeking the equipment in order to perform their routine duties. Matter reported according to policy .
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	N/A
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	While internal controls allowed detection, the Finance Department strengthened internal controls by making payroll application changes to prevent the printing of checks prior to final processing. Physical controls have also been implemented over the actual checks.
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	New cameras have been installed at the maintenance shops and GPS devices have been installed on heavy equipment.