ORLEANS PARISH SCHOOL BOARD

NEW ORLEANS, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2006

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

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June 30, 2006
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ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

Principal Officials

June 30, 2006

SCHOOL BOARD MEMBERS

As of June 30, 2006

Vice - President	Heidi Daniels	District 1
	Cynthia Cade	District 2
	Jimmy Fahrenholtz, J.D.	District 3
	Lourdes Moran	District 4
President	Phyllis Landrieu	District 5
	Una Anderson	District 6
	Torin Sanders	District 7

Officers are elected for a term of one calendar year by Board Members - 2006 officers are shown above.

EXECUTIVE DIRECTOR OF BOARD OPERATIONS

Thelma French

ADMINISTRATIVE OFFICIALS

Superintendent	Darryl Kilbert
Interim Chief Restructuring Officer	Bill Roberti, Alvarez and Marsal, LLC
Interim Chief Financial Officer	Doug Lambert, Alvarez and Marsal, LLC
Interim Chief Operations Officer	Jim Grady, Alvarez and Marsal, LLC

DEPARTMENTAL EXECUTIVE DIRECTORS

Exceptional Children's Services	Rosalynne Dennis, Ph. D.
Human Resources- Interim	Tony Pilegge, Alvarez and Marsal, LLC
Human Resources	Judith Gahr
Purchasing/Ancillary Services	Leslie Ray
Controller	Tim Russell
General Counsel	Regina Bartholomew

Orleans Parish Public Schools

3520 General deGaulle Drive * New Orleans, Louisiana * 70114
(504) 304-5680 office (504) 309-2865 fax

Darryl C. Kilbert, Superintendent

February 28, 2007

The President and Members
Orleans Parish School Board

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orleans Parish School Board (the "School Board") for the fiscal year ended June 30, 2006. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the School Board.

The School Board has been through a tumultuous period since August 29, 2005, the day Hurricane Katrina struck the New Orleans area causing widespread loss of lives and damage to properties throughout the region. School Board schools, administrative buildings, warehouses and other structures, along with furniture and equipment, and vehicles, were severely damage or destroyed by the hurricane. It is estimated that the total gross damage to the School Board property could approximate $900,000,000. The storm damage not only caused an immediate negative economic impact to the New Orleans region, but it will also have long-term negative economic consequences to the region and the School Board. This adverse impact is evidenced by lower ad valorem and sales tax revenues that support the School Board's operations, as well as higher operating costs and extensive rebuilding costs that will not be fully covered by insurance proceeds or other government programs or grants such as FEMA. The financial impact of the storm is discussed further in the footnotes and in the Management Discussion and Analysis that are both included in the attached CAFR.

In November 2005, Louisiana House Bill 121 (Act 35) transferred control of each School Board school deemed to be in academic crisis, as determined by standardized student testing results, to the Louisiana State Department of Education's Recovery School District (RSD). This Act resulted in approximately 83% (106 schools) of the School Board's former schools being transferred to the new RSD. Effective with the passage of Act 35, the RSD is responsible for providing all educational services to students attending the transferred schools. The bill provided for the transfer of operational and managerial control of the transferred schools for a period of not less than five years. Further, the bill provides the RSD with authorization to manage and retain funding under the Minimum Foundation Program and it's pro rata share of local ad valorem and sales taxes corresponding to the students attending the transferred schools. While the School Board retains ownership of each transferred school, Act 35 transferred all rights and responsibilities associated with property ownership to the RSD. At the direction of The Louisiana Department of Education, the School Board transferred the net book value (after impairment due to Hurricane Katrina) of the transferred schools to the RSD and recorded a long term receivable from the RSD in the amount of $134,614,742 as the bill provides for the schools to be returned to the School Board at the conclusion of Act 35.

To the best of our knowledge and belief, the data included in the CAFR is accurate in all material respects and are reported in a manner designed to present fairly the Statement of Net Assets (Deficit) and Statement of Activities of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board financial activities have been included. This report also includes all funds and account groups of the School Board.

The CAFR is presented in two sections: Introductory and Financial. The Introduction Section includes this Transmittal Letter and a list of principal officials. The Financial Section includes required supplemental information (Management Discussion and Analysis), basic financial statements, and other supplemental information, as well as the independent auditors' report on the basic financial statements.

The School Board is a political subdivision created under Louisiana State Statues and has the power to sue and be sued, to make rules and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the State Board of Elementary and Secondary Education. The School Board operates within Orleans Parish providing a full range of regular education and related services as required by the Louisiana State Statutes. It is authorized to establish public schools (including the authorization of charter schools) it deems necessary to provide adequate school facilities for the children of Orleans Parish, to determine the number of teachers to be employed and to determine local supplement to their salaries. Accordingly, the School Board is not included in any other governmental reporting entity since its members are elected by the public for a term of four years and have decision-making authority, the power to designate management, the ability to significantly influence operations and have primary accountability for fiscal matters for the Orleans Parish School System.

The boundaries of the School Board area of responsibility and the City of New Orleans are coterminous and located near the mouth of the Mississippi River in Southeast Louisiana. The leading industries of the local economy are petroleum, port, tourism, and construction.

All funds and entities controlled by or dependent on the School Board are included in the CAFR. These financial statements present the School Board as the primary government. The School Board had twelve active Charter Schools operating after the storm. These Charter Schools are as follows:

Continued: Comprehensive Annual Financial Report 2006

Charter School	Approximate Number of Students
*Audubon Charter School	330
Ben Franklin High School	540
Lusher Elementary Charter School	860
Lake Forest Elementary Charter School	70
*New Orleans Science and Math High School	160
James M. Singleton	725
Algiers Charter Schools:	
Martin Behrman Elementary	650
Dwight D. Eisenhower Elementary	660
William J. Fischer Elementary	360
Alice M. Harte Elementary	630
Edna Karr High School	735
O. Perry Walker High School	730
Total Estimate	6,450

* Completed 6/30/06 audited financial statements.

The Charter Schools financial statements are normally presented in the CAFR as discrete component units of the reporting entity because they are fiscally dependent on the School Board. However due to Hurricane Katrina, ten of the Charter Schools had not yet completed their audited financial statements as of the report date; thus, only two of the Charter Schools are included in the June 30, 2006 CAFR (*).

The School Board will continue to work collaboratively with the RSD to insure that all Orleans Parish school children receive the best education possible.

Respectfully,

Darryl C. Kilbert, Superintendent
Orleans Parish Public Schools

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INDEPENDENT AUDITORS' REPORT

The Orleans Parish School Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Parish School Board (School Board) as of and for the year ended June 30, 2006, which collectively comprise the School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. We were not engaged to audit the financial statements of the New Orleans Math and Science High School whose statements reflect total assets of $598,898 as of June 30, 2006, and total revenues of $1,402,310, for the year then ended, or the financial statements of Audubon Charter School whose statements reflect total assets of $1,695,357 of June 30, 2006, and total revenues of $2,831,756, for the year then ended. The financial statements of the component units were audited by other accountants.

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

All of the financial statements of the School Board's component units were not audited as of the report date, and we were not engaged to audit those component units as part of the basis financial statements.

In our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had all of the component units' financial statements been audited, 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 School Board, as of June 30, 2006, and 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2007 on our consideration of the School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages ix through xxiv and pages 52 through 54, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary information consisting of the introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basis financial statements. The accompanying financial information as listed in the table of contents as Other Supplementary Information, pages 55 through 73 is presented for purposes of additional analysis and is not a required part of the primary government financial statements of the School Board. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and the combining and individual fund financial statements and schedules, and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds taken as whole.

Postlethwaite + Netterville

New Orleans, Louisiana
February 28,2007

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2324 Severn Avenue • Metairie, LA 70001 • Tel: 504.837.5990 • Fax: 504.834.3609

Overview and Analysis of Financial Activities

The Orleans Parish School Board (School Board), as the financial manager of the Orleans Parish School System, offers the readers of these financial statements an overview and analysis of the financial activities of the School Board. This overview and analysis is designed to assist the users of these financial statements in focusing on significant issues, identify significant changes in the School Board's financial position both at the government-wide and fund levels, and highlight material changes from the School Board's approved budget.

Our discussion and analysis of the School Board's financial performance provide an overview of its financial activities for the fiscal years ended June 30, 2006 and 2005. The first section will discuss the impact of Hurricane Katrina and of ACT 35 by the Louisiana State Legislature. The later sections will discuss more specifically the changes in the financial results between fiscal years 2006 and 2005. This discussion and analysis should be read in conjunction with the additional information that is furnished in the letter of transmittal, which can be found on pages v through vii, and the financial statements on pages 1 through 73.

Impact of Hurricane Katrina

On August 29, 2005 Hurricane Katrina struck the New Orleans area causing widespread damage to properties throughout the region. The School Board's schools, administrative buildings, warehouses and other structures, along with furniture and equipment, and vehicles, were severely damage or destroyed by the hurricane. It is estimated that the total gross damage to the School Board's property could approximate $900,000,000. The storm damage not only caused an immediate negative economic impact to the New Orleans region, but it will also have long-term negative economic consequences to the region and the School Board. This adverse impact is evidenced by lower ad valorem and sales tax revenues that support the School Board's operations, as well as higher operating costs and extensive rebuilding costs that will not be fully covered by insurance proceeds or other government programs or grants such as FEMA. These issues are discussed in further detail below:

Fixed Asset Appraisal and Valuation Adjustments

The School Board contracted with an outside fixed asset appraisal/valuation company to determine the estimated original cost value, including past years' refurbishments, of the School Board's land, buildings, equipment and other property as of June 30, 2005. The School Board contracted with this appraisal/valuation company for two purposes: (1) to correct the School Board's accounting records and valuations for its fixed assets, including any adjustments to its accumulated depreciation, as of June 30, 2005; and (2) to assist in the assessment of the hurricane damage to the School Board's furniture, fixtures and contents as well as estimating building replacement costs. The appraisal company's asset valuation was determined as of June 30, 2005 (before the hurricane), and resulted in the School Board recording a prior period adjustment on the statement of net assets of $26,413,297 to reflect a net increase in the net book value of the School Board's property and equipment.

Storm Damage-Impairment and Content Losses

The recording of the asset impairment to hurricane damaged assets was done in accordance GASB 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Proceeds*, which in part states that impairment expense cannot exceed the individual assets net book value. The impairments to the School Board's assets are summarized as follows:

Buildings and improvements impairment	$ 79,901,083
Furniture, equipment and content damage	2,062,494
Gross impairment of property and equipment before insurance proceeds	82,503,577
Less insurance proceeds in Katrina Restoration Fund	(9,372,810)
Net impairment and content damage expense	$ 73,130,767

Insurance Proceeds

The School Board had insurance policies in effect at the time of the hurricane for comprehensive property damage (including flood), casualty, business interruption and other coverage's in the aggregate amount of $200,000,000 and additional insurance policies covering flood damage in the amount of $17,800,300. As of June 30, 2006, the insurers have remitted $25,000,000 for property damage and $9,214,219 for flood damage for a total of $34,214,219(see Act 35 below for allocation of $24,841,409 of these total insurance proceeds to the new RSD School District). The School Board has filed lawsuits against its insurers to collect its remaining claims for additional aggregate damage of approximately $175,000,000. Since the outcome of these lawsuits, including the timing and exact amount of insurance recoveries are uncertain as of the report date, the potential net recoveries have not been included in the accompanying financial statements. The School Board has made an additional flood insurance claim for $1,825,000 which may represent the maximum amount of flood insurance coverage remaining by individual property. These proceeds will be recorded in fiscal year 2007 when and if they are received. The School Board also received additional transportation insurance proceeds in the amount of $3,500,000 prior to June 30, 2006 and $1,500,000 in October 2007 for losses to its transportation assets including leased school buses. Both of these transportation insurance receipts, totaling $5,000,000, are recorded as revenue in the General Fund as of June 30, 2006. The School Board estimates that a significant portion of the hurricane related losses will be covered through grants from the Federal Emergency Management Association (FEMA), Community Development Block Grants (CDBG) potential grants from other Federal and/or State agencies and through additional insurance recoveries. Although some of the School Board's schools have been repaired and reopened, assessments and repair of the damages by the School Board's employees, consultants, contractors, and FEMA is ongoing as of the report date. See additional information regarding FEMA below.

Employee Layoffs after the Storm

The majority of the employees of the School Board were put on Disaster Leave effective as of the date of the storm and, on March 24, 2006, approximately 8,000 of the School Board's employees were terminated. The School Board paid the terminated employees approximately $4.6 million in accrued vacation benefits and approximately $2.1 million in accrued sick leave. As of June 30, 2006, the School Board had approximately 400 full time or part-time employees. The laid off employees have also received extended unemployment compensation benefits from the State of Louisiana Department of Labor amounting to approximately $34,413,000 as of June 30, 2006. These unemployment compensation benefits are not expected to be extended any further by the State. The School Board has the responsibility to reimburse the State for these unemployment benefits. Since the State has deferred the School Board's payment of this liability until August 2007, the liability has been classified as long-term in the statement of net assets.

Federal Assistance for New Funding for the School Board's Operations

Due to Hurricane Katrina, the Orleans Parish tax and economic base was severely damaged. As a result, the School Board's ad valorem and sales tax revenues have been significantly reduced. In order to assist in providing funding for the operations of the School Board's schools, two new loan programs were adopted by the Federal Government. On May 12, 2006 the School Board received a Special Community Disaster Loan (CDL) of $25 million from FEMA. The School Board received an additional $34.5 million in CDL loan proceeds in September 2006 (See Notes 9 and 20). The loans are collateralized with the School Board's future revenue after provision has been made for payments required in connection with any outstanding bond indebtedness in existence at the time of these CDL loans.

The Gulf Opportunity Zone Act, which was passed by the Federal Government on December 21, 2005, allows for the issuance of Gulf Tax Credit Bonds (GO Zone bonds) by the State of Louisiana to assist local governments in paying bonded indebtedness. As a result, the State is paying a portion of the School Board's debt service for bonded debt for the next three fiscal years starting in July 1, 2006 in the amounts of $33,438,546, $28,233,689, and $14,480,519 per year, respectively. This new GO Zone debt in the amount to $76,152,754 will have its principal and interest payments deferred until July 15, 2012, when semi-annual principal and interest payments will begin. The debt will begin accruing interest at a rate of 4.640% on July 15, 2011.

Charter School Openings Following Hurricane Katrina

The School Board and the State approved ten new Charter Schools (six included in the Algiers Charter School System) that started operations after the hurricane. These ten new Charters, along with two previous Charter Schools, and five of the School Board's own schools opened after the hurricane between December 2005 and February 2007. As of June 30, 2006 the twelve Charter schools had approximately 6,000 students and the School Board's five schools had approximately 3,000 students (see Act 35 below for information about the new Recovery School District (RSD)). The School Board provides the Charter schools and the RSD schools with their pro rata share of local ad valorem and sales tax funding along with a pass through of the Charter schools share of State funds provided through the Minimum Funding Program (MFP). The State remits directly to the RSD schools for their share of MFP. The total amount of local tax and MFP funding paid by the School Board to its Charter Schools amounted to $24.7 million for fiscal year ended June 30, 2006. The amount of local tax funding paid by the School Board to the RSD schools amounted to $3.3 million for the same period. During the fiscal ended June 30, 2007 five of the School Board's Charter Schools will be transferred to the authority of the RSD. The School Board

Charter Schools Openings Following Hurricane Katrina (continued)

approved five new Charter Schools for fiscal year ended June 30, 2007 which will result in the School Board being responsible for eleven Charter schools in the upcoming fiscal year.

The School Board is also responsible for managing Federal and State grants for both its own schools and the Charter Schools (called Special Revenue Programs). The amount of Federal funding that was paid to the School Board to be passed through to the Charter Schools amounted to $16,877,592 for the year ended June 30, 2006 Since these were strictly pass-through amounts to the Charter Schools, these funds were not shown as revenue and related expenditures in the accompanying financial statements.

ACT 35 of the Louisiana State Legislature

In November 2005, Louisiana House Bill 121 (Act 35) transferred control of each School Board school deemed to be in academic crisis, as determined by standardized student testing results, to the Louisiana State Department of Education's Recovery School District (RSD). This Act resulted in approximately 83% (106 schools) of the School Board's former schools being transferred to the new RSD. Effective with the passage of Act 35, the RSD is responsible for providing all educational services to students attending the transferred schools. The bill provided for the transfer of operational and managerial control of the transferred schools for a period of not less than five years. Further, the bill provides the RSD with authorization to manage and retain funding under the Minimum Foundation Program and it's pro rata share of local ad valorem and sales taxes corresponding to the students attending the transferred schools. While the School Board retains ownership of each transferred school, Act 35 transferred all rights and responsibilities associated with property ownership to the RSD. At the direction of The Louisiana Department of Education, the School Board transferred the asset net book value (after impairment due to Hurricane Katrina) of the transferred schools to the RSD and recorded a long term receivable from the RSD in the amount of $134,614,742 as the bill provides for the schools to be returned to the School Board at the conclusion of Act 35. The summary of the properties transferred is as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 19,727,972	$ -	$ 19,727,972
Building and improvements	263,849,452	157,308,775	106,540,677
Furniture and equipment	58,541,683	50,195,590	8,346,093
	$ 342,119,107	$ 207,504,365	$ 134,614,742

Insurance Proceeds to RSD

As noted above, the School Board received $34,214,219 of insurance proceeds related to wind and flood damage to its schools. Act 35 provided that any insurance proceeds that are not used by the School Board for debt service requirements, are to be allocated to both the School Board and to the RSD to be used to help fund the storm damage repairs to each of their respective schools. Since the insurance companies have not yet provided a complete allocation of the insurance proceeds by school, an estimate was made to allocate the insurance proceeds. The estimated allocation, which may change in the future when better facts are known, amounted to $9,372,810 for the School Board's remaining schools and $24,841,409 for the schools transferred to RSD. This liability to the RSD is offset by expenditures the School Board incurred on behalf of the RSD resulting in a net liability of $19,320,647. This net liability is recorded in the Katrina Restoration Fund.

Rebuilding of the School Board's and RSD Schools with FEMA Assistance

The RSD hired a consulting firm to assist them in the management of the rebuilding of the schools in the New Orleans area. This contract also provided for the management of the insurance recoveries and the assistance being provided by the Federal Government through FEMA. The School Board has also contracted with the consulting firm for the same purpose. In order to get the rebuilding process started as soon as possible, FEMA required the School Board to be the "FEMA Applicant" regardless of whether it was an RSD school or a School Board controlled school. This requirement was subsequently changed by FEMA whereby each School District was made responsible for its own schools. In the interim however, the School Board incurred expenditures on behalf of the RSD and received FEMA reimbursements on behalf of the RSD. At June 30, 2006, the net payable to the RSD by the School Board regarding the FEMA related rebuilding and operating activities and the related insurance proceeds allocations are as follows:

Insurance proceeds allocated to RSD	$ 24,841,409
FEMA reimbursements received on behalf of RSD	4,815,704
Rebuilding expenditures incurred on behalf of RSD	(10,336,466)
Balance due to RSD as reported in Katrina Restoration Fund	$ 19,320,647
Electricity and gas expenditures incurred on behalf of RSD recorded in the General Fund	$ 906,848

Financial highlights between June 30, 2006 and 2005

At June 30, 2006 and 2005 (restated), the School Board's net assets (deficit) were ($101,888,886) and ($79,918,589), respectively.

The overall decrease in net assets for the fiscal year ended June 30, 2006 (fiscal 2006) resulted primarily from the increases in accounts payable, due to other governments, unemployment compensation payable, and other long term liabilities which was partially offset by increases in cash, increase in tax receivable and due from other governments.

Financial highlights between June 30, 2006 and 2005 (continued)

Program revenues for fiscal 2006 were $33,801,994 or 12 % of total revenue, as compared to $83,942,675 or 16% for the fiscal year ended June 30, 2005 (fiscal 2005). This $50 million decrease was the result of limited School Board participation in Federal programs and grants as a result of the aftermath of Hurricane Katrina.

General revenues for fiscal 2006 were $248,655,819 compared to $435,904,985 for fiscal 2005. The main decreases were in ad valorem taxes ($45.6 million), sales and use taxes ($ 25.9 million) and the State of Louisiana Minimum Foundation Program ($120.4 million). This decrease in general revenue of $187,249,166 is also the direct result of the adverse impact of Hurricane Katrina.

Using this Comprehensive Annual Financial Report

The School Board's Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements that show information for the School Board as a whole, its funds, and its fiduciary responsibilities.

Government-wide Financial Statements (pages 1-4) include the Statements of Net Assets (Deficit) and Activities respectively, provide information about the activities of the School Board as a whole and present a longer-term view of the School Board's finances. In summary, the government-wide financial statements show the results of operations and financial position using the *total economic resources* measurement focus and the accrual basis of accounting which emphasizes the long-term financial picture and are very similar to the financial statements of the private sector.

Fund Financial Statements (pages 5-16) present information for three fund categories - governmental, proprietary and fiduciary. Financial statements for governmental funds tell how we financed our services in the short-term as well as what remains for future spending. These fund statements provide the reader with some insights into the School Board's overall financial health. In short, the fund-level financial statements show the results of operations and financial position using the *current financial resources* measurement focus and modified accrual basis of accounting, emphasizing the change in fund balances as a result of the current year's operations, as well as the amount of resources available to spend.

Fund financial statements also report the School Board's operations in more detail than the government-wide financial statements by providing information about the School Board's most significant fund(s) - such as the General Fund, Hurricane Katrina Restoration Fund and General Obligation Bond Fund. The Governmental Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances include the major funds as well as an aggregate of the remaining funds that report general government operations. Proprietary Funds – Internal Service are an accounting device used to accumulate and allocate costs internally among the School Board's major functions/funds. The School Board uses internal service funds for self insurance activity. Because these services predominantly benefit the governmental rather than business-type functions they are included within governmental activities in the government-wide financial statements.

The remaining statements, the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds and the Statement of Revenues, Expenses and Changes in Net Assets for the Proprietary Funds, present financial information about activities for which the School Board acts solely as an agent for the benefit of students and parents and the financing of services provided by one department to others of the School Board, respectively.

Using this Comprehensive Annual Financial Report (continued)

Other sections include *Notes to the Basic Financial Statements* (pages 17-51) and certain *Required Supplementary Information* (pages 52-54). Included in the Required Supplementary Information is a comparison of the General Fund budget with actual results on pages 52 and 53. Over the course of the year, the School Board revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Due to Hurricane Katrina and ACT 35, a major revision was necessary to fiscal year 2006 budget.

Reporting on School Board as a Whole

The School Board implemented Governmental Accounting Standard Statement No. 34 and related amendments in fiscal year ended June 30, 2002. Consistent with prior fiscal years the current year's statements focus on the School Board as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major funds), allow the reader of the financial statements to address relevant questions and broaden a basis for comparison (year to year).

One of the most important questions asked about the School Board's finances is, "Is the School Board better or worse off as a result of the year's activities?" The Statement of Net Assets (Deficit) and the Statement of Activities, shown on pages 1-4, report information about the School Board as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received and/or paid.

Also, component units are separate legal entities to which the School Board may be obligated to provide financial assistance and are presented as a separate column in the government-wide and as individual activities in the accompanying financial statements.

Statements of Net Assets (Deficit) and Activities, report the School Board's net assets or deficit and changes in them. The change in net assets (deficit) provides the reader a tool to assist in determining whether the School Board's financial health is improving or deteriorating. However, the School Board's primary responsibility or mandate is to provide instructional and related services to its student population. As such, the Statements of Net Assets (Deficit) and Activities for the School Board, report governmental activities such as instruction, support services, interest on debt and food services. Most of these activities are financed with taxes (ad valorem, sales and use), Minimum Foundation Program funds (MFP), and state and federal grants. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School Board.

Reporting School Board's Most Significant Funds

Fund Financial Statements

Our analysis of the School Board's major funds begins on page 5 of the basic financial statements. The fund financial statements provide detailed information about the most significant funds - not the School Board as a whole. Some funds are required to be established by State law and by bond covenants. However, the School Board has established other funds to help it control and manage for particular purposes (such as the Child Nutrition) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as grants from the Department of Education). The School Board's funds (governmental, proprietary and fiduciary) use the following accounting approach:

Governmental Funds - All of the School Board's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting. The governmental fund statements provide a detail *short-term view* of the School Board's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School Board's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets (Deficit) and the Statement of Activities) and governmental funds through reconciliation to the basic financial statements on pages 6 and 11 of the financial statements.

Proprietary Funds - Proprietary funds for the School Board use the accrual basis of accounting, the same as on the government-wide statements. These funds are used to account for the financing services provided by the School Board's departments, (such as health, life insurance, workers' compensation, etc.). The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows reports are presented on pages 12-14 of the basic financial statements.

Fiduciary Funds - The School Board is the trustee, or fiduciary, for its student activities funds. All of the School Board's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 15 and 16 of the basic financial statements, respectively. We exclude these activities from the School Board's other financial statements because the assets cannot be utilized by the School Board to finance its operations.

Infrastructure Assets

The School Board's capital assets include land, construction-in-progress and exhaustible capital assets (buildings and improvements, equipment, furniture and fixtures, transportation, etc.) that are used in operations.

Government-wide Financial Analysis

The following analysis focuses on the Statement of Net Assets (Deficit) (Table 1) and Statement of Activities (Table 2) of the School Board's governmental activities.

Government-wide Financial Analysis (continued)

TABLE 1
Condensed Comparative Statements of Net Assets (Deficit)
At June 30, 2006 and 2005

	Governmental Activities		Increase (Decrease)	Increase (Decrease)
	2006	2005	Amount	Percent (%)
Current and other assets	$ 189,705,125	$ 86,772,841	$ 102,932,284	118.62%
Capital assets, net	57,376,560	235,227,118	(177,850,558)	(75.61%)
Long-term receivable RSD	134,614,742	-	134,614,742	100.00%
Total assets	381,696,427	321,999,959	59,696,468	18.54%
Current and other liabilities	59,610,357	44,213,579	15,396,778	34.82%
Long-term liabilities	422,974,956	378,230,943	44,744,013	11.83%
Total liabilities	482,585,313	422,444,522	60,140,791	14.24%
Net assets (Deficit):				
Invested in capital assets, net of debt	(117,844,129)	(66,452,285)	(51,391,844)	(77.34%)
Restricted	70,195,363	49,206,038	20,989,325	42.66%
Unrestricted	(53,240,120)	(83,198,316)	29,958,196	36.01%
Total net assets (deficit)	($100,888,886)	($100,444,563)	($ 444,323)	(0.44%)

Government-Wide Financial Analysis, Continued

The School Board's net assets (deficits) were ($100,888,886) at June 30, 2006 and ($100,444,563) at 2005. Of which, ($53,240,120) and (483,198,316) were unrestricted at June 30, 2006 and 2005, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, capital projects and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. As of June 30, 2006 and June 30, 2005, the restricted net assets amounted to $70,195,363 and $49,206,038, respectively.

Current and other assets have increased $102,932,284 from last year due primarily to: increased cash of $28,014,265 as the School Board received $25,001,093 CDL loan proceeds on May 12, 2006; increased ad valorem tax accrual of $50,441,798 resulting from late tax bills being mailed out by the City due to the hurricane; increased sales tax accrual of $9,706,802; and an increase in receivable from other government units of $15,463,375 for reimbursement of various grants.

Net capital assets decreased from June 30, 2005 to June 30, 2006 by a net amount of $177,850,558. The reduction in net capital assets is primarily attributable reductions resulting from the $82,503,577 impairment charge, $134,614,742 of net assets transferred to the RSD, and $2,847,877 depreciation, offset by net asset write-up due to revaluations of capital assets in the amount of $26,413,297, and new asset purchases of $16,088,454. (See Note 6, capital assets in the accompanying financial statements for additional discussion regarding depreciation methods and related accumulated depreciation). June 30, 2006 reflects the value of the $134,614,742 of net capital assets transferred to the RSD as a long-term receivable since ACT 35 provides for these capital assets to be returned to the School Board at the end of 5 years.

Current and other liabilities increased $15,396,778 due primarily to: an increase in accounts payable of $8,885,437 due to increases in construction activity; increase in payables to the RSD for $19,320,647 for their share of insurance proceeds and FEMA reimbursements offset by rebuilding expenditures made by the School Board on their behalf; these increases were offset somewhat by decreases in payroll withholding taxes of $13,154,326 due to a smaller number of employees on the payroll.

Long-term liabilities increased by $44,744,013. The primary composition of this net change is as follows: a new Community Disaster Loan of $25,001,093 was received on May 12, 2006; a long-term liability for $34,413,084 was incurred for extended unemployment compensation benefits that resulted from the employee layoffs; capital leases increased $4,110,148 for classroom computing equipment; claims payable increased $4,103,631; an increase of $3,022,048 of interest payable on the Refunding Bonds series 1991; these increases were somewhat offset by principal payments of $25,529,594; and a decrease in the compensated absences payable of $2,341,248. (See Note 14, Litigation and Contingencies in the accompanying financial statements for additional discussion regarding litigation).

At June 30, 2006, the ($100,888,886) of net deficit represents the accumulated results of all governmental operations. Accordingly, if the School Board had to pay off all of its bills today, including all of our noncapital liabilities (for example compensated absences and claims) it would have insufficient unrestricted assets to pay the liabilities.

Government-Wide Financial Analysis, Continued

TABLE 2
Condensed Comparative Statement of Activities (in thousands)
For the Years Ended June 30, 2006 and 2005

	Governmental Activities		Variance Increase (Decrease)	Variance Increase (Decrease)
	2006	2005	Amount	Percent (%)
Revenues				
Program Revenues:				
Charges for services	$ -	$ 779	$ (779)	(100.00%)
Operating grants	33,802	83,164	(49,362)	(59.36%)
Total program revenues	33,802	83,943	(50,141)	(59.73%)
General Revenues:				
Ad valorem taxes	65,314	110,867	(45,553)	(41.09%)
Sales taxes	64,117	90,054	(25,937)	(8.80%)
Investment earnings	2,585	1,129	1,456	128.96%
Minimum Foundation Program	98,181	218,612	(120,431)	(55.09%)
Other general revenues	18,460	15,243	3,217	21.10%
Total general revenues	248,657	435,905	(187,248)	(42.96%)
Total revenues	$ 282,459	$ 519,848	($237,389)	(45.67%)

(continued)

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

Government-wide Financial Analysis, Continued

TABLE 2, Continued
Condensed Comparative Statement of Activities (in thousands)
For the Years Ended June 30, 2006 and 2005

	Governmental Activities		Variance Increase (Decrease)	Variance Increase (Decrease)
	2006	2005	Amount	Percent (%)
Functions/Program Expenses				
Instruction:				
Regular programs	$ 85,734	$ 194,806	($109,072)	(55.99%)
Special education programs	19,937	66,739	(46,802)	(70.13%)
Other instructional programs	21,429	59,181	(37,752)	(63.79%)
Support Services:				
Student services	10,405	34,503	(24,098)	(69.84%)
Instructional staff support	6,060	27,902	(21,842)	(78.28%)
General administration	10,660	12,685	(2,025)	(15.96%)
School administration	9,508	25,266	(15,758)	(62.37%)
Business services	32,039	10,158	21,881	215.41%
Plant services	41,351	48,790	(7,439)	(15.25%)
Student transportation services	4,332	19,415	(15,083)	(77.69%)
Central services	5,603	20,320	(14,717)	(72.43%)
Other	6,765	455	6,310	1386.81%
Food services	4,584	23,723	(19,139)	(80.68%)
Interest on long-term debt	16,982	17,141	(159)	(0.93%)
Transfer to Charter and RSD schools	28,039	-	28,039	100.00%
Total expenses	303,428	561,084	(257,656)	(45.92%)
Change in net assets	(20,969)	(41,236)	20,267	49.15%
Beginning net assets (deficit)	(100,445)	(63,939)	(36,506)	57.10%
Prior periods adjustments	20,526	4,730	15,796	333.95%
Beginning net assets (deficit), as restated	(79,919)	(59,209)	(20,710)	34.98%
Ending net assets (deficit)	($100,888)	($100,445)	($443)	0.44%

Government-wide Financial Analysis, Continued

Total revenues for all governmental activities for the two fiscal years ended June 30, 2006 and June 30, 2005 were approximately $282,459,000 and $519,848,000, respectively (Table 2). The reduction in total revenue in 2006 compared to 2005 in the amount of $237,389,000 is a direct result of Hurricane Katrina the passage of ACT 35 which impacted the School Board's following revenue types: Operating grants for Federal and State Programs decreased by $49,362,000 as a result more limited program activity due to closed schools for several months, and fewer schools and students when they did reopen. The reduction in ad valorem tax and sales tax revenues, which decreased by $45,553,000 and $25,937,000, respectively, is due primarily to the devastated properties and reduced population and tourists in New Orleans after the hurricane. The reduction in Minimum Foundation Program of $120,431,000 is due to fewer students.

The overall decrease in operating costs as compared to prior year in the total amount of $257,656,000 is also due primarily to Hurricane Katrina and ACT 35 and their impact as previously stated. The School Board continues to focus on the provisions of instructional and related support services aimed at academic excellence of its student population. The School Board will continue to incur increased costs, even with its reduced size, due to increases in needed new personnel and related benefit costs, as well as the effect of inflationary pressures on teacher and administrative salaries and other costs in the area of general administration of the School Board's activities.

As reported in the Statement of Activities (Table 2), the total costs of all of our governmental activities for the two fiscal years ended June 30, 2006 and 2005 were approximately $303,428,000 and $561,084,000, respectively. Some of the costs were funded by those who benefited from the programs or by other governments and organizations who subsidized certain programs by providing funds reflected in operating grants revenues in the amount of $33,802,000 for 2006 and $83,943,000 for 2005. The School Board funded for the remaining "public benefit" portion of its governmental costs with revenues from sales and ad valorem taxes of $129,431,000 for 2006 and $200,921,000 for 2005. Additionally, $98,181,000 for 2006 and $218,612,000 for 2005 was provided from State MFP funds. Other revenues, including interest and State revenue sharing, funded for the remaining "public benefit" governmental costs.

Table 3, Comparative Governmental Activities, reflects the gross cost of program services and the net costs of those services after taking into account the program revenues for the governmental activities. General revenues (including tax revenue), investment earnings, and unrestricted State entitlements are used to support the net remaining costs of the School Board's activities.

TABLE 3
Comparative Governmental Activities (in thousands)
For the Years Ended June 30,

	2006		2005	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Regular instruction programs	$ 85,734	$ 74,096	$ 194,806	$ 172,061
Special instruction programs	19,937	17,231	66,739	58,685
Other education programs	21,429	18,520	59,181	51,980
Student services	10,405	8,993	34,503	30,299
Instructional staff support	6,060	5,237	27,902	24,509
General administration	10,660	9,213	12,685	11,165
School administration services	9,508	8,217	25,266	22,332
Central services	32,039	27,423	10,158	17,843
Business services	4,333	3,744	48,790	8,933
Student transportation services	5,603	4,843	19,415	17,155
Plant services	41,351	35,738	20,320	42,841
Other	6,765	6,765	455	455
Food services	4,584	4,584	23,723	1,742
Transfer to Charter and RSD Schools	28,039	28,039	-	-
Interest on long-term debt	16,981	16,981	17,141	17,141
Totals	$ 303,428	$ 269,624	$ 561,084	$ 477,141

Overall, the net cost of services in fiscal 2006 decreased by approximately $207,516,000 or 44.0 %. There were marked decreases in most categories of 2006 net costs except in the Central Services category and a new category entitled Transfer to Charter and RSD Schools. The major reasons for the decreases are attributed to Hurricane Katrina and ACT 35 which caused lower student population, management staffing, and a reduction in operating grants and contributions. The costs of Central Services increased by $9,850,000 or 55% primarily due to consulting fees and costs associated with the restructuring of the school system. The costs in category "Transfer to Charter and RSD Schools" are in accordance with the changes in School Board operations discussed in previous sections of this MD&A.

School Board's Funds

The School Board uses several individual funds (Governmental Funds) that are included in the Government-wide Financial Statements and Fund Financial Statements in order to control and manage money for particular purposes. The individual fund reports and related analysis assists in determining whether the School Board is being accountable for the resources taxpayers and others provide to it. The General Fund is the primary operating fund which reflects the majority of the School Boards revenues and expenses associated with the day to day operations and activities of the schools and its administration. Generally, the explanations of the financial activities and year to year variances have been previously discussed in previous sections of this MD&A report.

Significant changes in certain of the other individual governmental funds used by the School Board are as follows:

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006 and 2005, the School Board had invested in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, transportation equipment, and construction-in-progress.

A comparative analysis of capital assets follows:

	Governmental Activities	
	June 30th	
	2006	2005
Land	$ 7,917,433	$ 29,540,926
Buildings and improvements	93,844,279	474,313,624
Furniture and equipment	24,682,349	58,456,757
Construction-in-progress	11,906,932	23,711,023
	138,350,993	586,022,330
Accumulated depreciation	(80,974,433)	(350,795,212)
Total net capital assets	$ 57,376,560	$ 235,227,118

The School Board contracted with an outside fixed asset appraisal/valuation company to determine the estimated original and depreciated cost of the School Board's land, buildings and equipment as of June 30, 2005. The appraisal company's asset valuation resulted in an increase of $ 26,413,297 in the net book value of the School Board's property and equipment.

Overall net capital assets decreased from June 30, 2005 to June 30, 2006 by a net amount of $ 177,850,558. This reduction is primarily attributable reductions resulting from the $82,503,577 impairment charge, $134,614,742 of net assets transferred to the RSD, and $2,847,877 depreciation, offset by the net asset revaluation write-up of $26,413,297, and new asset purchases of $16,088,454. (See the accompanying Notes to Financial Statements, for additional information regarding capitalization and depreciation policies and changes in capital assets for fiscal year 2006).

Capital Asset and Debt Administration (continued)

Long term debt

Obligations include bonds, notes payable, capitalized leases and other long-term obligations including accrued vacation and sick leave pay. The School Board presents more detailed information about its long-term liabilities in Note 9 in the notes to the accompanying financial statements and in earlier sections of this MD&A.

Pursuant to the requirements of LSA-R.S. 39:562, the School Board is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of the taxable property (including homestead exempt and non-exempt property) within the Parish of Orleans. At June 30, 2006 and 2005 the statutory debt limit for general obligation bonds is $645,853,797 and $748,517,040, respectively, with a net legal debt margin of $531,527,287 in fiscal 2006 and $569,575,508 in fiscal 2005.

Economic Factors and Next Year's Budgets and Rates

As Orleans Parish continues to recover from the devastation caused by Hurricane Katrina, the School Board's ad valorem and sales tax revenues should increase as New Orleans rebuilds and its population and economic activity returns.

Contacting the School Board's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Stan Smith, Chief Financial Officer, telephone number (504) 304-5680 or Ms. Thelma French, Administrator of the Office of Government and Community Relations, telephone number (504) 304-5680, at Orleans Parish School Board, 3520 General De Gaulle Drive, New Orleans, Louisiana 70114.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

STATEMENT OF NET ASSETS (DEFICIT)

JUNE 30, 2006

ASSETS

	Primary Government	Component Units
Cash and cash equivalents	$ 66,908,750	$ 1,723,552
Taxes Receivable:		
Sales tax	12,146,280	-
Ad valorem taxes	66,337,118	-
Due from other governments	36,599,456	542,729
Prepaid items	4,984,966	22,645
Inventory	100,020	-
Other receivables	2,628,535	908
Long-term accounts receivable-RSD	134,614,742	-
Capital assets		
Land	7,917,433	-
Capital assets, net of accumulated depreciation	49,459,127	4,421
TOTAL ASSETS	$ 381,696,427	$ 2,294,255

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

	Primary Government	Component Units
Accounts payable	$ 18,936,321	$ 66,220
Payroll withholdings	342,278	30,178
Salaries payable	6,292,795	-
Other payables	9,767,333	-
Accrued interest payable	4,555,232	-
Due to other governments	19,474,258	-
Deferred revenues	242,140	-
Long-term liabilities		
Unemployment compensation payable	34,413,084	
Bonds, notes and capitalized leases due within one year	24,558,557	-
Bonds, notes and capitalized leases due in more than one year	252,933,841	-
Interest payable	28,022,478	-
Compensated absences due within one year	861,846	-
Compensated absences due in more than one year	24,040,595	-
Claims payable	58,144,555	-
TOTAL LIABILITIES	$ 482,585,313	$ 96,398

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

STATEMENT OF NET ASSETS (DEFICIT)

JUNE 30, 2006

LIABILITIES AND NET ASSETS (DEFICIT)

NET ASSETS

	Primary Government	Component Units
Invested in capital assets, net of related debt	$ (117,844,129)	$ -
Restricted for:		
School Food Service	100,020	-
Debt Service	63,954,051	-
Capital Projects	6,141,292	-
Unrestricted	(53,240,120)	2,197,857
TOTAL NET ASSETS (DEFICIT)	$ (100,888,886)	$ 2,197,857

(concluded)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Units
Primary Government:					
Instruction:					
Regular education programs	$ 85,733,542	$ -	$ 11,637,345	$ (74,096,197)	$ -
Special education programs	19,936,637	-	2,706,170	(17,230,467)	-
Other education programs	21,428,813	-	2,908,716	(18,520,098)	-
Support Services:					
Student services	10,405,282	-	1,412,398	(8,992,884)	-
Instructional staff support	6,059,902	-	822,562	(5,237,339)	-
General administration services	10,659,523	-	1,446,908	(9,212,615)	-
School administration services	9,507,999		1,290,602	(8,217,397)	-
Business services	32,038,962	-	4,615,628	(27,423,334)	-
Student transportation services	4,332,482	-	588,085	(3,744,397)	-
Central services	5,603,428	-	760,601	(4,842,827)	-
Plant services	41,351,411	-	5,612,980	(35,738,432)	-
Other	6,765,022	-	-	(6,765,022)	-
Food services	4,583,986	-	-	(4,583,986)	-
Transfer to Charter Schools and RSD	28,039,324	-	-	(28,039,324)	-
Interest on long-term debt	16,981,797	-	-	(16,981,797)	-
Total Primary Government	303,428,109	-	33,801,994	(269,626,116)	-
Component Units					
Audubon Charter School	1,207,859	-	-	-	(1,207,859)
New Orleans Math and Science High School	1,053,731	-	-	-	(1,053,731)
Total Component Units	2,261,590	-	-	-	(2,261,590)

(continued)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

STATEMENT OF ACTIVITIES - continued

FOR THE YEAR ENDED JUNE 30, 2006

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Units
Net expenses from previous page	$ (269,626,116)	$ (2,261,590)
General revenues		
Taxes:		
Ad valorem (property) taxes	65,313,713	-
Sales and use taxes	64,116,541	-
State revenue sharing	3,217,414	-
Grants and contributions not restricted to specific purposes:		
Minimum Foundation Program	98,180,965	1,033,876
Other	-	1,174,363
Interest and investment earnings	2,584,163	2,540
Miscellaneous	15,243,022	2,023,287
Total general revenues	248,655,819	4,234,066
Change in net assets	(20,970,298)	1,972,476
Net assets (deficit) - June 30, 2005, as previously reported	(100,444,563)	225,381
Prior period adjustments (note 3)	20,525,974	-
Net assets (deficit) - June 30, 2005, as restated	(79,918,589)	225,381
Net assets (deficit) - June 30, 2006	$ (100,888,886)	$ 2,197,857

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

	General	General Obligation Bonds	Hurricane Katrina Restoration Fund	Other Governmental	Total
ASSETS					
Cash and cash equivalents	$ 37,062,433	$ 1,888,919	$ 19,992,442	$ 6,074,912	$ 65,018,706
Taxes Receivable:					
Sales tax	12,146,280	-	-	-	12,146,280
Ad valorem taxes	66,337,118	-	-	-	66,337,118
Due from other funds	50,768,193	33,319,571	-	40,592,626	124,680,390
Due from other governments	453,858	-	8,887,539	27,258,059	36,599,456
Prepaid items	4,984,966	-	-	-	4,984,966
Inventory	-	-	-	100,020	100,020
Other receivables	2,547,176	-	-	66,067	2,613,243
TOTAL ASSETS	$ 174,300,024	$ 35,208,490	$ 28,879,981	$ 74,091,684	$ 312,480,179
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 11,349,977	$ -	$ 4,913,206	$ 508,341	$ 16,771,524
Payroll withholdings	342,278	-	-	-	342,278
Salaries payable	6,292,795	-	-	-	6,292,795
Other payables	177,137	-	-	-	177,137
Due to other funds	91,585,873	-	7,988,094	34,956,080	134,530,047
Due to other governments	153,611	-	19,320,647	-	19,474,258
Deferred revenues	-	-	-	242,140	242,140
TOTAL LIABILITIES	109,901,671	-	32,221,947	35,706,561	177,830,179
Fund balances:					
Reserved for:					
Inventory	-	-	-	100,020	100,020
Debt service	-	35,208,490	-	28,745,561	63,954,051
Prepaid items	4,984,966	-	-	-	4,984,966
Capital items	-	-	(3,341,966)	9,483,258	6,141,292
Unreserved, reported in:					
General Fund - Undesignated	59,413,387	-	-	-	59,413,387
Special Revenue Fund	-	-	-	56,284	56,284
TOTAL FUND BALANCES (DEFICIT)	64,398,353	35,208,490	(3,341,966)	38,385,123	134,650,000
TOTAL LIABILITIES AND FUND BALANCES	$ 174,300,024	$ 35,208,490	$ 28,879,981	$ 74,091,684	$ 312,480,179

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Total Fund Balances at June 30, 2006 - Governmental Funds		$ 134,650,000
Cost of capital assets at June 30, 2006	$ 129,538,727	
Less: Accumulated depreciation as of June 30, 2006:		
Buildings	(57,984,028)	
Movable property	(14,178,139)	57,376,560
Accounts receivable-RSD		134,614,742
Consolidation of Internal Service Funds		-
Long-term liabilities at June 30, 2006:		
Bonds payable	(235,668,730)	
Capital leases	(10,547,159)	
Notes payable	(31,276,509)	
Interest payable	(32,577,710)	
Claims payable	(58,144,555)	
Unemployment insurance payable	(34,413,084)	
Compensated absences payable	(24,902,441)	(427,530,188)
Total net assets (deficit) at June 30, 2005 - governmental activities		$ (100,888,886)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Lousiana

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

June 30, 2006

	General	General Obligation Bonds	Hurricane Katrina Restoration Fund
REVENUES			
Local sources:			
Ad valorem taxes	$ 46,752,643	$ 15,002,560	$ -
Sales and use tax	42,765,733	-	-
Earnings on investments	1,540,288	79,999	514,035
Other	811,498	-	9,372,810
State and federal sources:			
Minimum Foundation Program	97,594,257	-	-
State revenue sharing	3,217,414	-	-
Other	6,013,345	-	-
Federal sources	323,556	-	5,585,195
TOTAL REVENUES	199,018,734	15,082,559	15,472,040
EXPENDITURES			
Current:			
Instruction:			
Regular programs	37,609,376	-	-
Special programs	8,751,997	-	-
Other programs	4,031,308	-	-
Support:			
Student services	4,756,256	-	-
Instructional staff support	1,503,732	-	-
General administration	5,193,536	-	-
School administration	4,320,659	-	-
Business services	17,073,174	-	581,972
Student transportation services	1,842,567	-	-
Central services	2,189,754	-	-
Plant services	17,602,740	-	2,046,201
Food services	-	-	-
Capital outlay	-	-	14,326,084
Other	771,580	-	1,859,749

(continued)

Other Governmental	Total
$ 3,558,510	$ 65,313,713
21,350,808	64,116,541
449,841	2,584,163
58,714	10,243,022
586,708	98,180,965
-	3,217,414
1,344,434	7,357,779
20,921,577	26,830,328
48,270,592	277,843,925
6,904,400	44,513,776
1,599,319	10,351,316
7,094,763	11,126,070
646,278	5,402,534
1,642,634	3,146,366
341,003	5,534,539
615,996	4,936,655
-	17,655,146
406,904	2,249,471
719,606	2,909,360
1,821,156	21,470,097
2,784,567	2,784,568
1,762,370	16,088,454
4,130,928	6,762,257

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Lousiana

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - continued

June 30, 2006

	General	General Obligation Bonds	Hurricane Katrina Restoration Fund
EXPENDITURES, continued			
Debt Service:			
Principal retirement	$ 3,376,911	$ 4,410,000	$ -
Interest and bank charges	247,940	7,919,035	-
Bond issuance cost	-	2,665	-
TOTAL EXPENDITURES	109,271,530	12,331,700	18,814,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	89,747,204	2,750,859	(3,341,966)
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	5,000,000	-	-
Proceeds from loans	25,001,093	-	-
Transfers in	-	7,491,099	-
Transfers out	(25,733,220)	-	-
Transfers out-charter schools and RSD	(28,039,325)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(23,771,452)	7,491,099	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	65,975,752	10,241,958	(3,341,966)
PRIOR PERIOD ADJUSTMENT	463,658	-	-
FUND BALANCES, JUNE 30, 2005	(2,041,057)	24,966,532	-
FUND BALANCES, JUNE 30, 2006	$ 64,398,353	$ 35,208,490	$ (3,341,966)

(continued)

The accompanying notes are an integral part of this statement.

Other Governmental	Total
$ 16,206,105	$ 23,993,016
5,542,341	13,709,316
-	2,665
52,218,370	192,635,606
(3,947,778)	85,208,319
-	5,000,000
-	25,001,093
25,836,860	33,327,959
(7,594,739)	(33,327,959)
	(28,039,324)
18,242,121	1,961,769
14,294,343	87,170,087
(275,981)	187,677
24,366,761	47,292,236
$ 38,385,123	$ 134,650,000

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Lousiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS -

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

Excess of Revenues and Other Financing Sources		
over Expenditures and Other Uses - Total Governmental Funds		$ 87,357,764
Prior period adjustment-capital assets		26,413,297
Prior period adjustment-long-term debt		(6,075,000)
Capital Assets:		
Capital outlay and other expenditures capitalized	$ 14,424,672	
Capital outlay and other expenditures capitalized-RSD	1,663,782	
Asset impairment	(13,184,754)	
Asset impairment-RSD	(69,318,823)	
Depreciation expense for year ended June 30, 2006	(2,847,877)	
Assets deleted in the year ended June 30, 2006	(386,113)	(69,649,113)
Change in net assets of internal service funds		(100)
Long-Term Debt:		
Proceeds from notes payable	(25,001,093)	
Principal portion of debt service payments	25,529,594	
Excess of interest accrued over interest paid	(2,844,206)	
Increase in unemployment insurance payable	(34,413,084)	
Increase in estimate of long-term claims payable	(4,103,631)	
Excess of compensated absences used over amounts earned	2,341,248	(38,491,172)
Change in net assets (deficit) - Governmental Activities		$ (444,324)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUNDS - INTERNAL SERVICE

BALANCE SHEET

JUNE 30, 2006

ASSETS		
Cash and cash equivalents	$	1,890,044
Other receivables		15,220
Due from other funds		12,104,119
TOTAL ASSETS	$	14,009,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	2,164,797
Due to other funds		2,254,390
Claims payable		9,590,196
TOTAL LIABILITIES		14,009,382
Net Assets:		
Unrestricted		-
TOTAL LIABILITIES AND NET ASSETS	$	14,009,383

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUNDS - INTERNAL SERVICE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

OPERATING REVENUES	
Employer contributions	$ 5,524,314
Employee contributions	1,125,567
Other miscellaneous revenue	6,796,120
TOTAL OPERATING REVENUES	13,446,002
OPERATING EXPENSES	
Premium payments	13,445,786
Other expenses	315
TOTAL OPERATING EXPENSES	13,446,102
NET OPERATING LOSS	(100)
Transfers out	-
Transfers in	-
CHANGE IN NET ASSETS	(100)
NET ASSETS, AT JUNE 30, 2005	100
NET ASSETS, AT JUNE 30, 2006	$ -

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUNDS - INTERNAL SERVICE

STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash premiums received	$	12,608,062
Cash paid in claims and benefits		(10,839,577)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,768,485
NET INCREASE IN CASH		1,768,485
Cash at beginning of year		121,559
Cash at end of year	$	1,890,044
Reconciliation of operating income to net cash used in operating activities		
Operating loss	$	(100)
Adjustments to reconcile operating loss to *net cash provided by operating activities:*		
Changes in:		
Other receivables		1,836,112
Due from other funds		(5,767,798)
Prepaid insurance		1,965,029
Accounts payable		2,367,490
Wages payable		(37,545)
Due to other funds		(1,422,621)
Claims payable/self-insured losses payable		2,827,818
NET CASH PROVIDED BY *OPERATING ACTIVITIES*	$	1,768,385

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 171,271	$ 459,206
Investments	160,036	-
TOTAL ASSETS	331,307	$ 459,206
LIABILITIES		
Due to student groups	$ -	$ 459,206
TOTAL LIABILITIES	$ -	$ 459,206
NET ASSETS		
Held in trust for various purposes	$ 331,307	

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

JUNE 30, 2006

		Trust Funds
ADDITIONS		
Contributions	$	64,170
Interest		9,342
Total additions		73,512
DEDUCTIONS		
Administrative expenses		-
Changes in net assets		73,512
Net assets - beginning		257,795
Net assets - ending	$	331,307

The accompanying notes are an integral part of this statement.

1. GENERAL INFORMATION

The Orleans Parish School Board (School Board) is a corporate body created under Louisiana Revised Statutes 17:51 and 17:121. A board consisting of seven members (the Board) elected from legally established districts is charged with the management and operation of the school system.

The school system, prior to Hurricane Katrina was composed of a central office, 125 schools and support facilities. Student enrollment prior to the hurricane was approximately 60,000. Prior to the hurricane, the School Board employed approximately 8,000 persons, approximately 6,000 of whom are directly involved in the instructional process. The remaining 2,000 employees provided ancillary support such as general administration, repair and maintenance, business and central services, bus transportation and food service.

As of August 29, 2005 the majority of the employees of the School Board were put on Disaster Leave and on March 24, 2006, approximately 8,000 of the School Board's employees were terminated. As of the report date, the School Board has approximately 400 full time or part-time employees of which approximately 200 are involved in the instructional process.

In November 2005 Louisiana House Bill 121 (Act 35) transferred control of each School Board school deemed to be in academic crisis, as determined by standardized student testing results, resulting in approximately 83% (106 schools) of the School Board's former schools being transferred to the Louisiana State Department of Education's Recovery School District (RSD). The RSD is responsible for providing all educational services to students attending the School Board transferred schools. Act 35 provided for the transfer of operational and managerial control of the transferred schools for a period of not less than five years. Further, Act 35 provides the RSD with authorization to manage and retain funding under the Minimum Foundation Program corresponding to the students attending the transferred schools. While the School Board retains ownership of each School Board transferred school, all rights and responsibilities associated with property ownership were transferred to the RSD.

As of the report date the School Board is operating six schools with approximately 3,000 students. The School Board also has twelve charter schools opened and operating that have approximately 6,000 students. The School Board is working collaboratively with the RSD to ensure that a sufficient number of additional schools are opened to provide educational services to the New Orleans student population.

The regular school term begins in mid August and runs through early June.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School Board complies with generally accepted accounting principles (GAAP). The School Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued in June 1999. The following is a summary of the School Board's significant accounting policies:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Financial Reporting Entity

GASB Statement No. 14 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 School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the School Board 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 School Board also has seven component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected School Board members are financially accountable. As of the audit date, only two of seven component units have submitted audited financial statements. Due to the damage suffered at some of the schools as a result of Hurricane Katrina, the audited financial statements of some of the component units were not available for inclusion in the School Board's *financial statements. Due to the uncertainty of the timing of completion of the remaining five component unit's* audited financial statements; these entities have been omitted from this presentation. Audubon Charter School and New Orleans Science and Math High School have submitted audited financial statements. A copy of the New Orleans Science and Math High School audited financial statements can be obtained from the Director of Finance and Operations (504-324-7061) and a copy of the Audubon Charter School audited financial statements can be obtained from the Financial Manager (504- 862-5135). There are no other primary governments with which the School Board has a significant relationship. Certain units of local government over which the School Board exercises no authority, such as the City-Parish government and other independently elected officials, are excluded from the accompanying financial statements. These units of government are considered separate from those of the School Board. The School Board is not a component unit of any other entity. Component units which require inclusion in the general purpose financial statements as follows:

Charter School	Approximate Number of Students
*Audubon Charter School	330
Ben Franklin High School	540
Lusher Elementary Charter School	860
Lake Forest Elementary Charter School	70
*New Orleans Science and Math High School	160
James M. Singleton	725
Algiers Charter Schools:	
Martin Behrman Elementary	650
Dwight D. Eisenhower Elementary	660
William J. Fischer Elementary	360
Alice M. Harte Elementary	630
Edna Karr High School	735
O. Perry Walker High School	730
Total Estimate	6,450

* Submitted 6/30/06 audited financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Presentation

The School Board's *Basic Financial Statements* consist of the government-wide statements on all of the non-fiduciary activities and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to the same limitation. The School Board has elected not to follow subsequent private-sector guidance.

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 the underlying sales transactions occur. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the School Board's general revenues. Operating grants and contributions consist of the many educational grants received from the federal and state government.

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are advances between fiduciary funds and the various functions of the School Board. The government-wide presentation focuses primarily on the sustainability of the School Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The internal service funds provide services to the governmental funds. Accordingly, the internal service funds activities were rolled up into the governmental activities in the GWFS. Pursuant to GASB Statement No. 34, the internal activities have been eliminated in order to avoid the "grossing-up" effect of a straight inclusion.

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Presentation

Fund Financial Statements (FFS)

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB Statement No. 34. Emphasis is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The daily accounts and operations of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The funds of the School Board are classified into three broad categories: Governmental, Proprietary and Fiduciary. In turn, each category is divided into separate fund types.

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is reported as a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. These funds account for the revenues and expenditures related to Federal, state and local grant and entitlement programs for various educational objectives and child nutrition services. No special revenue funds are considered major funds.

Debt Service Funds - Debt Service Funds, established to meet requirements of bond ordinances and other long-term borrowing are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs and some capitalized leases. A separate Debt Service Fund is maintained for each similar bond issue type (e. g., General Obligation Bonds, Refunding Bonds, EPA Loans) or each refunding, unique issue, or long-term loan currently outstanding.

General Obligation Debt Service Fund - Fund expenditures are related to debt service on outstanding general obligation bonds issued by the Orleans Parish School Board. Fund revenues include receipt of ad valorem taxes from constitutional millage and interest earned on cash balances. Additionally, the School Board may transfer from the General Fund amounts to cover deficiencies, if any, or to provide additional reserves to service future obligations. The General Obligation Debt Service Fund is reported as a major fund.

Capital Projects Funds - Capital Projects Funds are used to account for the receipt and disbursement of the proceeds of general bond issues and other special or designated revenues used for the acquisition or construction of major capital facilities, renovations and major repairs (other than General Fund capital outlays, and Special Revenue Fund capital outlays).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation

Hurricane Katrina Restoration Capital Projects Fund - The fund receipts include projects funded with insurance proceeds received following Hurricane Katrina and FEMA grant monies for reimbursement of allowable expenditures not covered by insurance. Fund expenditures are used for mold remediation inside flooded schools, repairs and major construction to hurricane damaged schools, school facilities and administrative facilities. The Hurricane Katrina Restoration Capital Projects Fund is reported as a major fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Presentation

Proprietary Fund Type:

Internal Service Funds - Internal Service Funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a *cost-reimbursement basis. The Health Insurance Fund, Workers' Compensation Insurance Fund, Other Insurance Fund* and Print Shop Fund are reported as Internal Service Funds. The print shop was destroyed during Hurricane Katrina and is no longer in use.

Fiduciary Fund Types:

Agency Funds - Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations or other governmental units and/or other funds. The School Board has one agency fund which is used to account for those monies collected by pupils and school personnel for school and school-related purposes.

Trust Funds – Trust Funds are created to account for cash, investments and other resources contributed by various individuals to the School Board to be expended for purposes for which the trusts were established.

In accordance with GASB, the Fiduciary Funds information is presented separately within this report and is not included in the Government-Wide Financial Statements or Fund Financial Statements.

C. Basis of Accounting/Measurement Focus

Government-Wide Financial Statements (GWFS)

The GWFS are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary Fund and Fiduciary Fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Proprietary Fund type's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. Basis of Accounting/Measurement Focus

The Governmental Fund type is accounted for on the modified accrual basis of accounting. The following paragraphs describe the revenue recognition practices under that basis.

Revenues

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The School Board's definition of available means expected to be received within sixty days of the end of the fiscal year for property taxes and generally the next twelve months for other revenues. Revenues not considered available are recorded as deferred revenues.

Non-exchange transactions, in which the School Board receives value without directly giving value in return, include sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Special assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Costs of accumulated unpaid vacation, sick leave and other employee benefit amounts are reported in the period due and payable rather than the period earned by employees, and general long-term obligations principal and interest payments are recognized only when due.

The Proprietary Fund type and Trust Funds are accounted for using the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when incurred.

D. Budget and Budgetary Accounting

The School Board follows these procedures in establishing the budgetary data reflected in the financial statements:

The General Fund and the Special Revenue Funds are the only funds with legally required budgets. The General Fund budget and the Special Revenue Funds' budgets are adopted on an annual basis. These budgets include proposed expenditures and the means of financing them.

D. Budget and Budgetary Accounting

Annually, the Superintendent submits to the School Board a proposed annual appropriated budget for the General Fund and Special Revenues Funds. Public hearings are advertised and conducted to obtain taxpayer comments and the proposed budgets are published. The budget is adopted by the School Board and, as required, is submitted no later than September 30 to the State Department of Education for approval. The Superintendent is authorized to move budgeted items within the functional categories, the legal level of control, but may not increase the total amount authorized.

Expenditures for Special Revenue Fund Budgets, except for the Child Nutrition Program, may not exceed budgeted amounts by more than 5% unless a budget revision is approved by the State Department of Education. For the Child Nutrition Program, budget amendments follow the same requirements as the General Fund.

The Capital Projects Funds' budgets are adopted on a project basis, since such projects may be started and completed at any time during the year or may extend beyond one fiscal year. Capital Projects Funds are allocated by project using architectural and engineering estimates. All projects remain programmed and funded until completed or until the School Board decides to eliminate the project. Accordingly, budget and actual comparisons are not reported in the basic financial statements for those funds.

Budgets are prepared on the modified accrual basis of accounting. Unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations at year end that have been approved by the Board are generally expended during the next fiscal year's operations, assuming that the underlying liability is ultimately incurred. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the School Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services; they are reported as reservations of fund balance. Outstanding encumbrances are added to the budget in the subsequent year and are reported as expenditures when incurred. There are no encumbrances as of June 30, 2006.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include interest-bearing demand deposits and short-term investments as described below, with a maturity date within three (3) months of the date of acquisition.

State statutes authorize the School Board to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The School Board's Cash Management and Investment Policy requires that cash balances of all funds are combined and invested to the extent possible in direct obligations of the U.S. Government or its agencies, certificates of deposit and other short-term obligations. Interest earned on these investments is distributed to the individual funds on the basis of invested balances of the participating funds during the year.

Investments for the School Board are reported at fair value.

G. Inventory

Government-Wide Level

Inventory is stated at first-in, first-out (FIFO) cost and consists of food items held for consumption at the various schools. The cost of inventory items are recognized as and expense when used.

Fund Level

Inventory of the Child Nutrition Special Revenue Fund consists of food, lunchroom materials, and supplies purchased by the School Board and commodities granted by the United States Department of Agriculture (USDA) through the Louisiana Department of Agriculture and Forestry. Inventory items purchased are valued at FIFO cost. Costs are recorded as expenditures at the time individual items are consumed (consumption method). Commodities are valued at the market value at the date of donation based on market values provided by the USDA. The amount of commodity inventory is included in deferred revenue until consumed.

H. Capital Assets

All capital assets are capitalized at historical cost, or estimated historical cost 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 School Board maintains threshold levels for capitalizing capital assets as follows: movable capital assets with a cost of $1,000 or more per unit, all land and land improvements with a cost of $50,000 or more, and buildings and building improvements that extend the useful life of a building with a cost of $50,000 or more.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. Useful lives are as follows: from 3 to 10 years for furniture and equipment, 5 to 8 years for transportation equipment, 5 to 20 years for equipment, 25 years for building improvements, 10 to 20 years for improvements other than building, and 20 to 40 years for buildings. Costs of assets damaged by Hurricane Katrina were reduced by the impairment and the adjusted cost depreciated over the assets remaining useful life.

I. Reserves and Designations

Portions of fund balances are reserved for future use and, therefore, are not available for appropriation or expenditure. Designations of unreserved fund balances in Governmental Fund types indicate the School Board's plans for the use of financial resources in a future period.

J. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All interfund transfers are reported as operating transfers.

K. Compensated Absences

Under terms of union contracts and School Board policy, each employee is entitled to ten days of sick leave per year. Sick leave may be accumulated without limit; however, employees or their heirs are only reimbursed for accumulated sick leave up to twenty-five days upon death or retirement at the employees' current rate of pay. The accrual computation for earned sick leave is calculated on a 25-day maximum per employee. Sick leave is not payable upon discharge or termination (non-retirement). Upon retirement, accumulated sick leave in excess of reimbursement may be used in the retirement benefit computation as earned service.

Full-time employees who work year-round are granted vacation in varying amounts (maximum of 22 days per year) as established by School Board policy. The School Board's practice is to pay all accumulated unused vacation days.

Sabbatical leave may be granted for medical or professional purposes. Any employee with a teaching certificate is entitled, subject to approval by the School Board, to one (1) semester of sabbatical leave after three (3) years of continuous services, or two (2) semesters of sabbatical leave after six (6) or more years of continuous service. Sabbatical leave is paid at 65% of salary. Sabbatical leave is accrued upon Board approval.

L. Deferred Revenues

The School Board reports deferred revenues when resources are received by the School Board before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the School Board has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Long-term Obligations

For government-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34, the amortization of the costs of bonds is amortized prospectively from the date of adoption of GASB Statement No. 34.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or

Imposed by law through constitutional provisions or enabling legislation.

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

O. 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. PRIOR PERIOD ADJUSTMENTS

Due to the different measurement focuses of the GWFS (economic resources focus/accrual basis) and the FFS (current financial resources measurements focus); the adjustments impact the financial statements as follows:

Government – wide net assets (deficit) at June 30, 2005, as previously reported	$ (100,444,563)
Decrease in payroll liability and payroll expense	1,259,510
Decrease in intergovernmental receivable	(91,675)
Decrease in accounts payable, expenditures and deferred revenue	1,304,640
Increase in cash	297,854
Increase in intergovernmental receivable, grant revenue, accounts payable and expenditures	(2,306,671)
Increase in expenditures and accounts payable	(275,981)
Increase in capital lease payable	(6,075,000)
Decrease in cost of capital assets, less decrease in accumulated depreciation of $56,061,840	26,413,297
	$ (79,918,589)

3. **PRIOR PERIOD ADJUSTMENTS, (continued)**

The General Fund's financial statements were impacted as follows:

Fund balance at June 30, 2005, as previously reported	$ (2,041,057)
Decrease in payroll liability and payroll expense	1,259,510
Decrease in intergovernmental receivable	(91,675)
Decrease in accounts payable, expenditures and deferred revenue	1,304,640
Increase in cash	297,854
Increase in intergovernmental receivable, grant revenue, accounts payable and expenditures	(2,306,671)
	$ (1,577,399)

The Non-Major Capital Project Fund's financial statements were impacted as follows:

Fund balance at June 30, 2005, as previously reported	$ 15,664,671
Increase in expenditures and accounts payable	(275,981)
	$ 15,388,690

Prior period adjustments were related to the following:

a) Payroll liability and payroll expenditures were overstated during year due to incorrect payroll accruals.
b) Intergovernmental receivable was overstated due to improper accruals.
c) Expenditures accounts payable and deferred revenue were overstated due to improper accrual and deferred revenue recognition.
d) Cash was understated due to reissued checks which were not removed from the account reconciliation.
e) Intergovernmental receivable, grant revenue, expenditures and accounts payable were understated due to unrecorded amounts in Special Revenue Funds, which understated the operating transfer in amounts from General Fund.
f) Expenditures and accounts payable were understated due to the unrecorded amounts in two non-major Capital Expenditure Funds.
g) Capital lease payable were understated due to the recording of a capital lease as an operating lease.
h) Cost and accumulated depreciation of capital assets were overstated due to errors in the property and equipment ledger.

4. **DEPOSITS AND INVESTMENTS**

Deposits

At June 30, 2006, the carrying amount of the School Board's deposits was $66,908,750 and the banks' balance was $69,152,594. A bank balance of $2,219,872, held in a self insurance account maintained by a third party provider is uncollateralized at June 30, 2006. Of the remaining banks' balances, $764,936 was insured by Federal depository insurance or by collateral held by the School Board (GASB Category 1) and the remainder was collateralized with securities held by the pledging financial institution's trust department or agent in the School Board's name (GASB Category 2). Securities that may be pledged as collateral by the banks consist of obligations of the U.S. Government and its agencies, and/or obligations of the State of Louisiana and its municipalities and school districts.

4. DEPOSITS AND INVESTMENTS, (continued)

Investments

The School Board's investments are categorized as described below to give an indication of the level of risk assumed by the School Board at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the School Board or its agent in the School Board's name, and deposits with maturities greater than three months that are insured or collateralized, in the School Board's name, at a Federal Reserve Bank or at a correspondent financial institution.

Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the School Board's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the School Board's name.

A breakdown of investments as of June 30, 2006, is as follows:

	Category			Market	Carrying
	1	2	3	Value	Value
Marketable Securities	$ -	$ -	$ 210,720	$ 210,720	$ 160,036
Total Investments	$ -	$ -	$ 210,720	$ 210,720	$ 160,036

5. AD VALOREM TAXES AND SALES TAX

Ad valorem taxes were levied by the School Board on March 12, 2006 for the calendar year 2006, based on the assessed valuation of property as of March 2006. Values are established by the Orleans Parish Assessors' Offices each year based on 10% of the assessed market value of residential property and commercial land and on 15% of the assessed market value of commercial buildings, public utilities and personal property. The taxes become due on January 1 of each year, and become delinquent on February 1. Due to Hurricane Katrina, ad valorem taxes were not levied until after the first of the year. Before the taxes can be collected, the assessment list (tax roll) must be submitted to the Louisiana Tax Commission for approval. From the day the tax roll is filed in the Board of Tax Commission, it shall act as a lien on each specific piece of real estate thereon assessed, which shall be subject to a legal mortgage after the year for the payment of the tax due on it. Ad valorem taxes are collected by the City of New Orleans and remitted to the School Board on a periodic basis. The taxes are generally collected in December, January, and February of the fiscal year. Due to Hurricane Katrina, 2006 collections were generally not received until the middle of the calendar year. A list of property on which taxes have not been paid is published in the official journal by the City of New Orleans. If taxes are not paid within the period stipulated in the public notice, the property is sold for taxes due at a tax sale held by the City of New Orleans. The tax sale is usually held prior to the end of the School Board's fiscal year.

5. AD VALOREM TAXES AND SALES TAX, (continued)

The following is a summary of authorized and levied ad valorem taxes:

		Authorized Millage	Levied Millage	Expires
Constitutional Millage		27.65	27.65	Not applicable
Dedicated Millage				
Purpose A	School Books, Materials, and Supplies	2.13	2.13	2008
Purpose B	Early Childhood, Discipline and Dropout Programs	2.13	2.13	2008
Purpose C	Employee Salary, Benefits and Incentives	10.00	10.00	2008
Purpose D	Air Conditioning, Asbestos Removal and Facilities	3.19	3.19	2008
School Board General Obligation Bond Taxes		13.45	13.45	2023
Total Millage			58.55	

Under the Louisiana Constitution, ad valorem taxes other than Constitutional and Bond taxes must be renewed by popular vote every ten (10) years.

All ad valorem taxes are recorded on the basis explained in Note 2C. For governmental funds, revenues are recognized in the accounting period in which they become measurable and available. Property taxes are considered measurable in the calendar year of the tax levy. Available means due, or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The remaining property taxes receivable are considered available because they are substantially collected within 60 days subsequent to year end.

Since ad valorem taxes receivable are secured by property, there is no allowance for uncollectible taxes.

Sales taxes are assessed and due on the first day of the month subsequent to the month of sale of any retail sales of goods used or consumed within Orleans Parish, including leases and rentals of movable tangible property. The rate of sales tax dedicated to the School Board is one and one-half percent. Revenues arising from the one percent sales tax authorized by the voters of Orleans Parish in 1966 are used exclusively for the payment of salaries of teachers and/or for the general operations of the School Board. The proceeds of the one-half percent sales tax, which was authorized in 1980, are used for the payment of salaries of teachers and other educational employees of the School Board, for the expenses of maintaining and operating schools and for providing funds to pay for capital improvements.

Sales taxes which remain uncollected on the twenty-first day of the month due are classified as delinquent. Sales taxes are collected by the City of New Orleans and the State of Louisiana and are remitted semi-monthly to the School Board.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

June 30, 2006

6. **CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2006 are as follows:

	Land	Buildings And Improvements	Furniture And Equipment	Construction in Process	Total
Assets at Cost					
As previously reported at June 30, 2005	$ 29,540,926	$ 474,313,624	$ 58,456,757	$ 23,711,023	$ 586,022,330
Prior period adjustment	(1,509,408)	(40,813,170)	36,385,058	(23,711,023)	(29,648,543)
Adjusted balance at June 30, 2005	28,031,518	433,500,454	94,841,815	-	556,373,787
Impairment	-	(79,901,083)	(11,704,945)	-	(91,606,028)
Additions	-	4,094,360	87,162	11,906,932	16,088,454
Deletions	(386,113)	-	-	-	(386,113)
Transfer to the RSD	(19,727,972)	(263,849,452)	(58,541,683)	-	(342,119,107)
Balance at June 30, 2006	$ 7,917,433	93,844,279	24,682,349	11,906,932	138,350,993
Accumulated Depreciation					
As previously reported at June 30, 2005	-	307,194,174	43,601,038	-	350,795,212
Prior period adjustment	-	(93,879,857)	37,818,017	-	(56,061,840)
Corrected balance at June 30, 2005	-	213,314,317	81,419,055	-	294,733,372
Impairment	-		(9,102,451)	-	(9,102,451)
Additions	-	1,978,486	869,391	-	2,847,877
Transfer to the RSD	-	(157,308,775)	(50,195,590)	-	(207,504,365)
Balance at June 30, 2006	-	57,984,028	22,990,405	-	80,974,433
Capital assets, net of accumulated depreciation at June 30, 2006	$ 7,917,433	$ 35,860,252	$ 1,691,943	$ 11,906,932	$ 57,376,560

Depreciation and impairment expense for the year ended June 30, 2006 was charged to the following governmental functions:

	Depreciation	Impairment
Instruction:		
Regular education programs	$ 959,796	$ 27,805,486
Special education programs	223,193	6,465,939
Other education programs	239,898	6,949,889
Support:		
Student Services	116,488	3,374,687
Instructional Staff Services	67,841	1,965,374
General Administration	119,334	3,457,144
School Administration	106,443	3,083,677
Business and Central Services	380,676	11,028,269
Transportation Services	48,503	1,405,130
Central Services	62,731	1,817,329
Food Services	60,040	1,739,378
Plant Services	462,933	13,411,275
	$ 2,847,877	$ 82,503,577

7. DEFINED BENEFIT PENSION PLANS

Plan Description - Substantially all School Board employees participate in either the Teachers' Retirement System of Louisiana or the Louisiana School Employees' Retirement System (the Systems), which are cost-sharing, multiple-employer public employee retirement systems. Each system is administered and controlled at the State level by a separate board of trustees with contribution rates and benefit provisions approved by the Louisiana Legislature. Participation in the Teachers' Retirement System is primarily divided into two plans - the Teachers' Regular Plan and the Teachers' Plan B. Five years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits under each plan.

Each of the Systems issues a publicly available financial report on an annual basis that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or viewing their websites:

Teachers' Retirement System of Louisiana	8401 United Plaza Blvd. P.O. Box 94123 Baton Rouge, Louisiana 70804-9123 (225) 925-6446 www.trsl.org
Louisiana School Employees' Retirement System	8660 United Plaza Blvd. Baton Rouge, LA 70809 (225) 925-6484 www.lsers.state.la.us

Funding Policy - Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2006 for the School Board and covered employees were as follows:

	School Board	Employees
Teachers' Retirement System of Louisiana		
Regular Plan	15.9%	8.0%
Plan B	15.9%	5.0%
Louisiana School Employees' Retirement System	18.4%	7.5%

As provided by Louisiana Revised Statute 11:103, the School Board's contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The 2006 contributions were significantly reduced due to employees on Disaster Leave effective August 29, 2005. The contributions made to the systems for the past three fiscal years, which substantially equaled the required contributions for each of these years, were as follows:

	2006	2005	2004
Teachers' Retirement System of Louisiana	$ 5,389,200	$ 34,934,471	$ 33,563,112
Louisiana School Employees' Retirement System	$ 387,430	$ 2,767,856	$ 2,004,905

8. POST EMPLOYMENT BENEFITS

In accordance with state statutes, the School Board provides certain post employment health care to its retired employees. Substantially all of the School Board's employees may become eligible for such benefits upon reaching retirement age, if they are currently participating in the active health plan. Starting on February 1, 2006, the School Board paid approximately 25% of the health insurance costs for retired employees and their covered dependents. Retirees contribute 75% of the retiree and dependent coverage premiums. Retirees who are eligible for Parts A and B of Medicare pay a reduced premium for health coverage. Prior to February 1, 2006, the School Board had a traditional fully-insured Health Insurance Plan and recorded expenditures as premiums were paid. On February 1, 2006, the School Board changed to a self insured Health Insurance Plan and record expenditures as amounts are remitted to Coventry Healthcare of Louisiana Insurance Company, a third party administrator that reimbursed medical providers for participant claims. For fiscal year 2006, the School Board's cost for providing all health care benefits to the 1,675 retired employees and their dependents amounted to $3,019,882.

The School Board has a continuing future obligation for health care benefits for retired teachers and non-instructional employees and their dependents. This future liability is not funded but will be payable by the General Fund out of future years' operations. This future liability could be significant. Current generally accepted accounting principles, as set forth by the *Governmental Accounting Standards Board, do not require the recording of this liability in the basic financial statements.*

9. LONG-TERM OBLIGATIONS

Bonds and Notes Payable

Bonds Payable	Range of Interest in Remaining Years	Final Maturity	Balance as of June 30, 2006
General Obligation Bonds:			
Series 1995 - Issued 10/01/95	5.0 – 5.375%	09/01/18	$ 27,820,000
Series 1996 - Issued 03/01/96	4.5 – 7.5%	09/01/20	27,285,000
Series 1997 - Issued 03/01/97	4.9 – 7.0%	09/01/21	28,440,000
Series 1997A - Issued 12/01/97	5.0 – 7.0%	09/01/21	28,440,000
Series 1998A - Issued 03/01/98	4.65 – 7.375%	09/01/22	29,620,000
Series 1998B - Issued 03/01/98	4.20 – 5.50%	09/01/20	7,930,000
Refunding Bonds:			
Series 1991 - Issued 12/01/91	7.15%	02/01/15	16,523,730
Series 1995 - Issued 10/01/95	4.75 – 6.0%	06/01/09	9,880,000
Series 1995 A&B - Issued 12/01/95	5.2 – 6.65%	02/01/14	59,730,000
Community Disaster Loan	2.94%	04/18/11	25,001,093
EPA Loans	7.641-8.681%	05/31/13	1,200,416
Certificates of Indebtedness:			
Series 1999	4.0 – 6.5%	03/01/09	5,075,000
TOTAL			$ 266,945,239

9. LONG-TERM OBLIGATIONS, (continued)

All of the bonds and notes payable of the School Board are reported in the government-wide financial statements and are serviced by the debt service funds with revenues as described below.

General Obligation Bonds

General Obligation Bonds are backed by the full faith, credit and taxing power of the School Board. Five (5) series of General Obligation Bonds for $35 million each have been issued: Series 1995, dated October 1, 1995, Series 1996, dated March 1, 1996, Series 1997, dated March 1, 1997, Series 1997A dated December 1, 1997, and Series 1998A dated March 1, 1998. In 1988 $8,155,000 of General Obligation School Refunding Bonds, Series 1998B, dated March 9, 1998 were issued and used to advance refund $7,140,000 of General Obligation Series 1995 bonds dated October 1, 1995 maturing in September 2020. These general obligation bonds are insured and are payable from: (1) the annual levy and collection of an unlimited ad valorem tax on all taxable properties; (2) interest earned on net bond proceeds and debt service assets; and (3) revenues collected by the Educational Trust Fund District, as described below.

The purpose of the General Obligation Bonds is to provide monies: to improve land for building sites and playgrounds, including construction of necessary sidewalks and streets; to improve school buildings and other related facilities by acquiring necessary equipment and furnishings therefore; and to complete those projects set forth in Capital Improvements Program III.

The Educational Trust Fund District (Trust Fund) is governed by the Board members of the School Board and serves as a conduit for the collection of specific revenues supporting the debt service requirements of the General Obligation Bonds. The Trust Fund is to collect any and all ad valorem property taxes levied and collected on property used for any permanent or temporary land-based casino gaming establishment or on any riverboat and its licensed berth (except for specific taxes levied by the city or downtown development district) for the purpose of repairing, upgrading, improving and acquiring property and the construction of school buildings and related structures, improvements, and constructions owned and operated by the School Board.

On February 17, 1996, the School Board entered into a Cooperative Endeavor Agreement with the Educational Facilities Trust Fund District making available revenues generated from 1.56 mills, representing the 1995 roll forward of the School Board's Constitutional Millage and Proposition Millage, to be pledged and dedicated to the $175,000,000 General Obligation Bonds (herein referred to as "Roll Forward"). Because the Trust Fund (1) has no assets, (2) is governed by the Board of the School Board, and (3) all its activities are included in the financial statements of the School Board, the separate presentation of the Trust Fund as a component unit or separate entity is not considered necessary.

Refunding Bonds

The Refunding Bonds are special limited School Board obligations payable from and secured by pledge of and lien on ad valorem taxes, sales taxes and revenue sharing. The bonds do not constitute general indebtedness or pledge of the general credit of the School Board.

$121,698,366 Public School Refunding Bonds, Series 1991, dated December 1, 1991, partially refunded by the Series 1995 A and B Bonds described below - The purpose of these bonds was to refund the Public School Refunding Bonds, Series 1990. The bonds are insured and are payable from the ½% Dedicated Sales Tax and the Constitutional Millage.

9. LONG-TERM OBLIGATIONS, (continued)

Refunding Bonds

$27,920,006 Public School Capital Refunding Bonds, Series 1995, dated October 1, 1995 - The purpose of these bonds was to advance refund $27,150,000 of Public School Capital Funding Bonds, Series 1989A, dated June 1, 1989, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from the Purpose D Millage tax approved in 1980.

$98,970,000 (1995A- Taxable) and $22,815,000 (1995B- Tax Exempt) Public School Refunding Bonds, dated December 1, 1995 - The purpose of these bonds was to redeem $105,038,118 principal plus interest of $8,866,381 on the Capital Appreciation Bonds of the Public School Refunding Bonds, Series 1991, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from: (1) ½% Dedicated Sales Tax and (2) Constitutional Millage, subject to a prior and superior pledge of the tax in favor of the owners of the School Board's outstanding Refunding bonds, Series 1995. These bonds partially refunded the Capital Appreciation Bonds.

Community Disaster Loan

On May 12, 2006, the Federal Emergency Management Agency (FEMA), under the provisions of the Community Disaster Loan Act of 2005, approved the School Board's application for a disaster loan. The State of Louisiana recommended a disaster loan in the amount of $25,001,093 for the School Board. The purpose of the loan was to allow the School Board to carry on existing governmental functions and to expand such functions to meet disaster-related needs. The term of loan is for five years with an interest rate that is based on the five year Treasury rate on the date the Promissory Note is signed by FEMA, plus 1% rounded to the nearest 1/8%, and reducing this total by one half. The rate for this loan is 2.94% The terms of these loans provide for no principal or interest payments for five years from date of loan proceeds and these deferrals may be extended by FEMA for an additional five years. However, interest accrues on a simple interest basis from date of receipt of loan proceeds. The loans are collateralized with the School Board's future revenue after provision has been made for payments required in connection with any outstanding bond indebtedness in existence at the time of these CDL loans.

On September 26, 2006 and September 29, 2006, the School Board received additional Community Disaster Loans of $1,429,721 and $33,045,240, respectively. The terms of these additional loans are the same as the initial loan above.

Defeased Bonds

In August 1985, the School Board entered into an advance refunding transaction to effect retirement of the School Board's obligations with respect to the 1952 through 1968 bonds outstanding, at June 30, 1985. At June 30, 2006, the remaining bonds outstanding consisted of the 1961 through 1968 bond issues, which are not included in the School Board's statement of net assets, as they are considered defeased through the establishment of a fully funded escrow to pay debt service on such bonds until maturity. At June 30, 2006, the outstanding principal balance of these 1961 through 1968 bonds totaled $2,705,000. The 1985 bonds were subsequently refunded and called with the proceeds of the Series 1987 bonds.

In December 1987, the School Board entered into a $127,695,000 (par) advance refunding transaction (Series 1987) for all of its outstanding bonds which consisted of $40,021,335 Public School Refunding Bonds, Series 1985, and $75,000,000 Public School Sales and Use Tax Bonds, Series 1985, for a total of $115,021,335. At June 30, 2006, the outstanding principal balance of these 1985 Bonds, which are not included in the School Board's statement of net assets as they are considered defeased, totaled $2,799,596.

9. LONG-TERM OBLIGATIONS, (continued)

Defeased Bonds

In October 1990, the School Board entered into a $104,510,380 advance refunding transaction (Series 1990) for a portion of the School Board's Series 1987 Bonds. These securities were deposited in a trust with an escrow agent to provide for all the future debt services payments. Accordingly, the escrow account and the liability for the bonds are not included in the School Board's statement of net assets. As of June 30, 2006, the outstanding principal balance of the Series 1987 Bonds totaled $58,470,000.

In March 1998, the School Board entered into a $8,155,000 refunding transaction (Series 1998B) for a portion of the School Board's Series 1995 General Obligations maturing September 2020. At June 30, 2006, the outstanding principal balance of the 1995 bonds, which are not included in the School Board's balance sheet, as they are considered defeased, totaled $7,140,000.

EPA Loans

Approval was obtained from the State Bond Commission to issue promissory notes on an interest-free basis, repayable over a twenty-year period. Proceeds from the notes finance the removal of asbestos from certain school buildings. The notes, issued to the U. S. Environmental Protection Agency (EPA), have no stated interest rate. Generally accepted accounting principles require that interest be imputed on loans with no stated rate. There are five EPA loans. The two notes from 1985 – 1987 have interest imputed at the rate of 8.681%. The three notes from 1990 – 1992 have interest imputed at the rate of 7.641%. Of the $5,555,600 of authorized notes that were advanced to the School Board, a remaining balance of $1,200,416 is still outstanding and owed at year-end. Semi-annual principal payments are made on the loans which have terms expiring in 2007 through 2013.

Certificates of Indebtedness

On April 22, 1996, the School Board issued a $675,000 Certificate of Indebtedness, Series 1996 to finance improvements and an addition to Jean Gordon Elementary School. The School Board dedicated the excess of annual revenues of subsequent years to pay for the cost of the public improvements. The loan was for a period of ten (10) years at a fixed interest rate of 6.24%. The loan was paid off in full during 2006.

In March 1999, the School Board issued a $14,000,000 Certificate of Indebtedness, Series 1999. These funds are used to purchase computer hardware and software. These Certificates are secured by and payable from excess of annual revenues of the School Board. The Certificate of Indebtedness Series 1996 is subordinated to the lien of the Certificate of Indebtedness Series 1999. The loan is for a period of ten (10) years with interest rates ranging from 4.0% to 6.625%. At June 30, 2006, the remaining balance was $5,075,000.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at June 30, 2006, excluding capital leases, accrued compensated absences and claims payable is as follows:

	General Obligation bonds		Refunding Bonds		Community Disaster Loan		EPA Loans		Certificates of Indebtedness		Total - All Debt	
Year ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	4,655,000	7,633,549	14,145,000	4,137,905	-	-	437,306	97,875	1,595,000	211,606	20,832,306	12,080,935
2008	6,450,000	7,323,195	15,055,000	3,221,140	-	-	171,905	65,507	1,690,000	146,210	23,366,905	10,756,052
2009	6,870,000	6,981,253	17,595,000	2,239,030	-	-	119,520	49,619	1,790,000	76,076	26,374,520	9,345,978
2010	7,265,000	6,631,285	8,221,876	10,149,736	-	-	275,395	36,696	-	-	15,762,271	16,817,717
2011	7,695,000	6,256,204	7,991,087	10,382,823	25,001,093	3,675,161	196,290	14,149	-	-	40,883,470	20,328,337
2012 - 2016	45,715,000	24,697,328	23,125,767	34,797,721	-	-	-	-	-	-	68,840,767	59,495,049
2017 - 2021	60,655,000	10,949,384	-	-	-	-	-	-	-	-	60,655,000	10,949,384
2022 - 2026	10,230,000	399,125	-	-	-	-	-	-	-	-	10,230,000	399,125
TOTAL	$ 149,535,000	$ 70,871,323	$ 86,133,730	$ 64,928,355	$ 25,001,093	$ 3,675,161	$ 1,200,416	$ 263,846	$ 5,075,000	$ 433,892	$ 266,945,239	$ 140,172,577

9. LONG-TERM OBLIGATIONS, (continued)

Changes in Long-term Obligations

Long-term Obligation	Balance Beginning	Refundings/ Additions	Refundings/ Retirements	Balance Ending	Balance due within one year
General Obligation Bonds					
Series 1995 - Issued 10/01/95	$27,825,000	$ -	$ 5,000	$27,820,000	$ 5,000
Series 1996 - Issued 03/01/96	28,440,000	-	1,155,000	27,285,000	1,220,000
Series 1997 - Issued 03/01/97	29,535,000	-	1,095,000	28,440,000	1,155,000
Series 1997A - Issued 12/01/97	29,535,000	-	1,095,000	28,440,000	1,155,000
Series 1998A - Issued 03/01/98	30,645,000	-	1,025,000	29,620,000	1,080,000
Series 1998B - Issued 03/01/98	7,965,000	-	35,000	7,930,000	40,000
Refunding Bonds					
Series 1991 - Issued 12/1/91	16,523,730	-	-	16,523,730	-
Series 1995 - Issued 10/1/95	12,375,000	-	2,495,000	9,880,000	2,615,000
Series 1995 A&B Issued 12/1/95	70,555,000	-	10,825,000	59,730,000	11,530,000
Community Disaster Loan		25,001,093	-	25,001,093	-
EPA Loans	1,496,521		296,105	1,200,416	437,306
Certificates of indebtedness					
Series 1966	165,000	-	165,000	-	-
Series 1999*	6,580,000	-	1,505,000	5,075,000	1,595,000
Capital leases		-			
Energy retrofit lease 06/26/03	5,729,000	-	920,000	4,809,000	935,000
Buses	3,376,911	-	3,376,911	-	-
Motorola Equipment	1,628,011	-		1,628,011	793,218
Classroom Computer Equipment	6,075,000	-	1,964,852	4,110,148	1,998,033
Unemployment compensation payable	-	34,413,084		34,413,084	-
Interest Payable on Refunding Series 1991*	25,000,430	3,022,048	-	28,022,478	-
Accrued Compensated Absences	27,243,689	-	2,341,248	24,902,441	861,846
Liability for Claims Payable	54,040,924	4,103,631	-	58,144,555	-
Total Long-term Obligations	$384,734,216	$ 66,539,856	$ 28,299,116	$422,974,956	$ 25,420,403

*Interest is compounded and due in the future on previous years interest payable which was recorded as principal.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The School Board is in compliance with all significant covenants.

9. **LONG-TERM OBLIGATIONS, (continued)**

Statutory Debt Limit

As of June 30, 2006, the statutory debt limit for general obligation bonds was $645,853,797 and the net legal debt margin was $531,527,287. There was $35,208,490 available in the Debt Service Fund to pay debt service requirements on the general obligation bonds outstanding at June 30, 2006.

10. **LEASES**

Operating Leases

The School Board has a number of operating leases for land, buildings and equipment used for schools and administrative centers. For these leases, the School Board has, as of June 30, 2006, contractual agreements requiring the following annual rental payments:

Fiscal Year Ending June 30,	Amount
2007	$ 46,466
2008	47,870
2009	49,296
2010	50,775
2011	52,298
2012 & thereafter	215,840

Rental expenditures under operating leases for facilities for the year ended June 30, 2006 amounted to $676,379.

Capital Leases

The School Board records items under capital leases as an asset and an obligation in the accompanying financial statements. Energy retrofit improvements for 1996-1997 were expensed or are considered fully depreciated.

Assets acquired through other capital leases are as follows:

Asset	Cost	Impairment and Depreciation	Net Asset
School Buses	$ 5,522,865	$ 5,522,865	$ -
Communications Equipment	1,628,011	1,628,011	-
Computer Learning Equipment (a)	6,075,000	6,075,000	-

(a) See Footnote (3g) for prior period adjustment of a capital lease which was previously accounted for as an operating lease.

10. **LEASES, (continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2006:

	Communications Equipment	Energy Retrofit	Computer Learning Equipment	Total
Fiscal year:				
2007	$ 948,215	$ 1,060,488	$ 2,232,710	$ 4,241,413
2008	130,155	1,059,125	2,232,710	3,421,990
2009	130,155	1,060,125	-	1,190,280
2010	130,155	1,058,300	-	1,188,455
2011	130,155	1,003,600	-	1,133,755
2012 and thereafter	520,619		-	520,619
Total	1,989,454	5,241,638	4,465,420	11,696,512
Less amounts representing interest	(361,443)	(432,638)	(355,272)	(1,149,353)
Present value of net minimum lease payments	$ 1,628,011	$ 4,809,000	$ 4,110,148	$ 10,547,159

On April 1, 1996, the Louisiana Public Facilities Authority (LPFA) issued $11,175,000 Lease Revenue Bonds (Orleans Parish School Board Energy Retrofit Project), Series 1996. The bonds were limited and special obligations of the LPFA and were secured by a Trust Indenture, dated April 1, 1996.

The LPFA used the proceeds from the sale of the bonds to: (1) purchase from the School Board certain energy retrofit improvements and equipment for all public school buildings of the School Board (hereinafter referred to as the "Project" as further described below); (2) fund a Reserve Fund; and (3) pay the cost of issuance of the bonds, including bond insurance premium. As the improvements and equipment were acquired and installed, the School Board sold the Project to the LPFA and the LPFA concurrently leased the Project to the School Board through a Lease Agreement, dated April 1, 1996, under which the School Board is obligated to annually appropriate funds in an amount sufficient to pay the principal of and interest on the Bonds, as well as other payment obligations, including the Reserve Fund Requirement (as defined in the Indenture), as payments become due.

The Project used the bonds proceeds and the Lease Agreement to implement certain replacement, retrofit and/or upgrade improvements to one hundred twenty-one (121) public school buildings of the School Board designed to reduce operating and maintenance expenses. The improvements to the School Board's existing facilities fall into four (4) major categories, as follows: (1) Energy Management; (2) Heating, Ventilation and Air Conditioning Systems; (3) Lighting Systems; and (4) Water Conservation Measures.

In the event the School Board fails to make any rental payment under the Lease Agreement, pursuant to a Withholding Agreement, the Trustee is authorized to notify the State Treasurer, who will then withhold the School Board's allocation of State Revenue Sharing Funds in the amount equal to any deficiency not paid as required under the Lease Agreement.

On June 26, 2003 the LPFA redeemed the Lease Revenue Bonds Series 1996 and issued the $7,375,000 LPFA Orleans Parish School Board Lease Revenue School Refunding Bonds Series 2003. The April 1, 1996 lease agreement was modified as a result of this LPFA refinancing transaction to reduce the remaining lease payments (principal and interest) by $1,285,221.

10. LEASES, (continued)

As of June 30, 2006 the principal balance remaining on the Energy Retrofit capital lease totaled $4,809,000.

On April 1, 2001, Orleans Parish School Board entered into a capital lease agreement to acquire 800 MHz communications equipment and related software licenses, installation, training and support services. The terms of the capital lease require ten annual payments of $130,552 through April 1, 2011 at an annual rate of interest of 6.49%. The equipment has a capitalized cost of $938,956. Due to the equipment destruction during Hurricane Katrina, the creditor requested that the School Board share equally in the loss. As a result, the creditor requested the School Board pay one-half of the remaining principal and interest due on the lease which totaled $343,953 of the remaining balance due of $687,906. The School Board agreed to settlement offer and made final payment of $343, 953 on September 26, 2006.

On January 1, 2005, Orleans Parish School Board entered into a capital lease agreement to upgrade communication equipment. The terms of the capital lease require ten annual payments of $130,155 through January 1, 2015 at an annual interest rate of 5.19%. The equipment has a capitalized cost of $995,810.

As of June 30, 2006 the combined principal balances remaining on the two communications equipment capital leases totaled $1,628,011.

On November 15, 2004, Orleans Parish School Board entered into a capital lease agreement to acquire computer learning equipment for classroom instructional support funded through the Title I grant. The terms of the capital lease require 3 annual payments of $2,232,710 through August 20, 2007 at an annual interest rate of 5.71%. The equipment has a capitalized cost of $6,075,000.

As of June 30, 2006 the principal balance remaining on computer learning equipment totaled $4,110,148.

11. DUE TO/FROM OTHER FUNDS

Individual balances due to/from other funds at June 30, 2006, are as follows:

	Due to other funds	Due from other funds
Governmental Funds		
General Fund	$ 50,768,193	$ 91,585,873
General Obligation Bonds	33,319,571	-
Hurricane Katrina Restoration Fund	-	7,988,094
Other Nonmajor Governmental Funds		
Other Federal	1,291,895	27,177,185
State and Local	3,362,081	4,011,483
Child Nutrition	2,835,206	2,832,523
Refunding Bonds Series 1991	28,018,718	-
Refunding Bonds Series 1995 and 1998	700,970	-
Proposition D Funded Capital Projects	4,374,629	-
GO Bonds Funded Capital Projects	-	934,889
Short-Term Financing	9,127	-
Proprietary Funds		
Health Insurance	1,999,928	-
Workers' Compensation Insurance	10,104,119	-
Retiree Insurance	-	2,254,390
	$ 136,784,437	$ 136,784,437

12. CHANGES IN AGENCY FUNDS – DEPOSITS DUE OTHERS

Agency Fund	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Student Activity	$ 4,708,425	$ -	$ 4,249,219	$ 459,206
	$ 4,708,425	$ -	$ 4,249,219	$ 459,206

13. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

On-behalf payments for fringe benefits and salaries are direct payments made by an entity (the paying agent) to a third-party recipient for the employees of another legally separate entity (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments. The state of Louisiana made pension contributions (regarding Professional Improvement Program) directly to the Teachers' Retirement System of Louisiana on behalf of the School Board in the amount of $31,580. On behalf revenues and related expense is recorded in the General Fund.

14. LITIGATION AND CONTINGENCIES

Claims

The School Board is a defendant in several workers' compensation, personal injury, personnel action and contractual lawsuits. Provisions for losses for these lawsuits are recorded in the financial statements, principally in long-term debt obligations. Management and legal counsel for the School Board believe that the potential claims against the School Board, not covered by insurance, are covered by the recorded liability. A summary of significant claims are as follows:

Madeline Edwards, Individually and o/b/o Her Minor Son, Derrick Edwards vs. Orleans Parish School Board, et al. Our File No.: 63062 (1989 football injury; student now quadriplegic

The case involves a student athlete who was paralyzed in a football game. As of the report date there is no trial set and mediation of the claim is seriously being considered by all parties. The only parties remaining in the litigation are the Orleans Parish School Board and the excess insurance carrier for St. Augustine High School (the opposing football team). All of the other defendants have either settled their claims with the plaintiff and/or have been dismissed from the suit (settlements total $1.05 million). The plaintiff's settlement demand to the School Board is for $3.6 million. The School Board's General Counsel believes the current settlement demand to be unsupportable and unreasonable.

United Teachers of New Orleans ("UTNO") vs. Orleans Parish School Board; three (3) UTNO grievances;

UTNO has filed a grievance on the School Board's decision not to make contributions to the Health and Welfare Trust Fund for the 2005-2006 school year. The arbitrator ordered the School Board to make payments to the fund for a nine-month period during the 2005 – 2006 school year. The School Board's General Counsel estimates the exposure associated with this payment at $3.75 million. However, the arbitrator also provided the Board with a damages offset of $1.9 million per month for 2 and ½ months. The offset is greater than the damages award; consequently, it is the School Board's general counsel's opinion is that the School Board is owes nothing stemming from this arbitration.

14. LITIGATION AND CONTINGENCIES (continued)

UTNO has filed a grievance on the School Board's decision to change and cancel health insurance benefits without negotiation. The arbitrator determined that the Board did violate the collective bargaining agreements, however, the arbitrator decided against ordering any monetary relief.

UTNO has filed a grievance on the School Board's decision to charter schools with the Algiers Charter School Association while not applying the collective bargaining agreements to the workers employed by the charter school association. The arbitrator determined that the Board did violate the collective bargaining agreements, however, he decided against ordering any monetary relief.

UTNO v. OPSB ("Emergency Leave "Grievances)

UTNO claims the collective bargaining agreements were violated since employees who had accumulated accrued sick leave days were not compensated for those sick leave days. The School Board has taken the position that the grievances are untimely and are based on an incorrect interpretation of the contract.

Even if UTNO prevails in this grievance, the liability is already recorded in the long term obligation fund since it is the School Board's policy to pay employees their accrued but unused sick leave when they retire from the school system.

UTNO v. OPSB ("System-wide Closure of Schools" Grievances)

UTNO contends that the collective bargaining agreements were violated when Orleans Parish Public schools were closed following Hurricane Katrina and employees were not paid during the time of closure. The School Board has taken the position that grievances are untimely and contrary to the language of the collective bargaining agreements. In addition, it is the School Board's position that, assuming a violation of the contract occurred; it is a violation which was excused by the impact of Hurricane Katrina which made performance of the contract impracticable. The School Board is unable to determine the outcome of this grievance. The School Board's General Counsel believes that any potential unfavorable judgment would be significantly offset by the unemployment compensation paid to employees and the income earned by employees who took new jobs after the storm.

UTNO v. OPSB ("Paycheck Stub" Grievances)

UTNO alleges violations of the collective bargaining agreements regarding the School Board's failure to provide an itemized accounting for the payroll processed in September 2005. Specifically, UTNO claims the collective bargaining agreements were violated since employees have not received payroll check stubs/check slips. The School Board is in the process of setting up a system to combine the payroll data of several of its previous systems that were used to make the September 2005 payroll. Once this is done, the employee pay check stubs will be prepared and distributed to the affected employees.

14. LITIGATION AND CONTINGENCIES (continued)

UTNO v. OPSB ("State Board of Elementary and Secondary Education (BESE)" lawsuit)

UTNO challenged the State (BESE) takeover of Orleans Parish schools. As remedial relief, the UTNO asked the district court to compel the Board to enter into new collective bargaining agreements as well as provide its members with damages equal to the contract benefits they would have received had they remained employed by the School Board and covered by the existing collective bargaining agreements.

Both the School Board and the State filed exceptions of no cause of action which were granted by the district judge, dismissing the suit. UTNO has appealed and that appeal is currently pending. The School Board is of the opinion that a favorable outcome will be forthcoming.

UTNO v. OPSB ("Health and Welfare Trust Fund" lawsuit)

In this lawsuit currently pending in Civil District Court for Orleans Parish, the Health and Welfare Trust Fund is seeking $457,410 it contends it is owed for the 2004 – 2005 school year in unpaid employee-trust fund contributions.

The School Board has filed an Answer and Reconventional Demand asking for dissolution of the trust fund in light of the expiration of the collective bargaining agreements between the School Board and the Union. The School Board is anticipating a favorable outcome.

Federal and State Grants

In the normal course of operations, the School Board receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

The School Board's Title I Program has undergone an audit by the U.S. Department of Education. The U.S. Department of Education requested documentation to support approximately $71,800,000 of questioned costs. A substantial portion of this documentation has been provided to the U.S Department of Education. The State of Louisiana's Department of Education has also audited IASA, Special Education, and Vocational Educational Programs and questioned costs of approximately $14,800,000. The possible outcome of these audits cannot be determined as of the report date and, therefore, the School Board is unable to estimate the liability, if any, that may result from these audits.

Investigations

A number of payroll and human resource related problems have also been identified in prior year, including payments to former employees after termination and incorrect withholding and benefit payments. A number of indictments have resulted. The School Board intends to seek full restitution. However, as of the report date, the School Board is unable to determine what the affect of any restitution received would have on the financial statements.

15. COMMITMENTS

At June 30, 2006, the School Board had construction commitments of approximately $14,526,000. These commitments will be paid out of the Capital Projects Funds.

16. INTERFUND OPERATING TRANSFERS

Interfund operating transfers for the year ended June 30, 2006, were as follows:

	Transfers Out	Transfers In
Governmental Funds		
General Fund	$ 25,733,220	$ -
General Obligation Bonds	-	7,491,099
Other Nonmajor Governmental Funds		
Other Federal	2,324	4,489,688
State and Local	101,316	85,496
Refunding Bonds Series 1991	-	18,382,340
Energy Retrofit Project	-	483,077
Gordon School Loan	-	210,447
EPA Loan	-	408,507
MIS Project Funding	-	1,777,305
GO Bonds Funded Capital Projects	7,491,099	-
	$ 33,327,959	$ 33,327,959

Operating transfers between the General Fund and other funds are generally made to provide supplemental funds for program operations.

17. RISK MANAGEMENT

The School Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation and health insurance for its employees. The School Board has established the following internal service funds to account for and finance these risks of loss:

Health Insurance/Retiree Insurance - These funds are used to account for the employee, retiree and employer contributions to, and the payment of self-insured claims for the Health Insurance Plan. On February 1, 2006, the School Board offered a self-insured employee medical and Health Insurance Plan financed solely by employees and the School Board. The plan has a $200,000 stop-loss provision, whereby any claims incurred in excess of amount for a single insured is covered by reinsurance purchased by the School Board and in accordance with agreement with Coventry Insurance, Third Party Administrator. Prior to February 1, 2006, the School Board offered a fully-insured Health Insurance Plan and recorded expenditures in the General Fund.

Workers' Compensation- This fund is used to account for claims arising from employment related injuries. The School Board maintains a self-insurance plan, which includes the purchase of insurance for claims in excess of $500,000 per occurrence. The workers' compensation limit for each accident is the statutory amount.

Other Insurance- This fund is used to account for retiree paid life insurance premiums and expenditures.

Self-insured litigated claims are not reported in internal service funds, but beginning April 1, 1999 the revenues and expenses for non-litigated claims are in the General Fund. The estimate for litigated claim liabilities is reported in the GWFS.

A reconciliation of the unpaid claims liability, including the litigated claims reserve, as of June 30 is as follows:

	Workers' Compensation Fund	Health Insurance Fund	Litigated Claims	Total
Unpaid claims as of June 30, 2005	$ 6,740,830	$ 21,447	$ 54,040,924	$ 60,803,201
Current year claims incurred and changes in estimates	6,796,015	5,524,314	4,103,631	16,423,960
Claims paid	(3,946,649)	(3,545,761)	-	(7,492,410)
Unpaid claims as of June 30, 2006	$ 9,590,196	$ 2,000,000	$ 58,144,555	$ 69,734,751

The above unpaid claims as of June 30 include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends.

18. **DEFICITS IN FUND EQUITY**

The Hurricane Katrina Restoration Fund had a fund deficit of $3,341,996 at June 30, 2006. This fund deficit is expected to be funded in the future from FEMA reimbursements, additional insurance proceeds recoveries, potential additional Federal, State or Local Grants and/or loans, and from the General Fund as necessary. (see Note 21).

19. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS – INDIVIDUAL FUNDS**

As reported in the budgetary comparison schedules that are presented as required supplemental information for the year ended June 30, 2006, the General Fund had debt service expenditures in excess of the final budget balance by $3,624,851. This excess was the result of the payoff of bus leases which were not originally budgeted. The early lease payoff was made necessary after the buses were destroyed in Hurricane Katrina and were no longer available as collateral on the debt. The funding for this early payoff was covered by insurance proceeds in the amount of $5,000,000 (see Note 21).

As reported in the budgetary comparison schedules that are presented as required supplemental information for the year ended June 30, 2006, the General Obligations Bond Fund did not have expenditures, which exceeded 5% of the final budget.

20. **SUBSEQUENT EVENTS**

On August 1, 2006, the School Board entered into an operating lease of administrative office space. The lease term was for thirty-six months with monthly lease payments of $18,497, but was subsequently amended effective January 1, 2007 to include additional space. The monthly lease payments were adjusted to $22,799 per month.

On September 26, 2006 and September 29, 2006, the School Board received an additional Community Disaster Loans of $1,429,721 and $33,045,240, respectively.

The Gulf Opportunity Zone Act, which was passed by the Federal Government on December 21, 2005, allows for the issuance of Gulf Tax Credit Bonds (GO Zone bonds) by the State of Louisiana to assist local governments in paying bonded indebtedness. As a result, the State will start paying the School Board's debt service for bonded debt for the next three fiscal years starting July 1, 2006 in the amounts of $33,438,546, $28,233,689, and $14,480,519 for the fiscal years ended June 30, 2007, 2008 and 2009, respectively. This new GO Zone debt in the amount to $76,152,754 will have its principal and interest payments deferred until July 15, 2012, when semi-annual principal and interest payments will begin. The debt will begin accruing interest at a rate of 4.640% on July 15, 2011.

21. **HURRICANE KATRINA AND ACT 35 BY LOUISIANA STATE LEGISLATURE**

On August 29, 2005 Hurricane Katrina struck the New Orleans area causing widespread damage to properties throughout the region. The School Board's schools, administrative buildings, warehouses and other structures, along with furniture and equipment, and vehicles, were severely damage or destroyed by the hurricane. It is estimated that the total gross damage to the School Board's property could approximate $900,000,000. The storm damage not only caused an immediate negative economic impact to the New Orleans region, but it will also have long-term negative economic consequences to the region and the School Board. This adverse impact is evidenced by lower ad valorem and sales tax revenues that support the School Board's operations, as well as higher operating costs and extensive rebuilding costs that will not be fully covered by insurance proceeds or other government programs or grants such as FEMA. These issues are discussed in further detail below:

21. HURRICANE KATRINA AND ACT 35 BY LOUISIANA STATE LEGISLATURE (continued)

Fixed Asset Appraisal and Valuation Adjustments

The School Board contracted with an outside fixed asset appraisal/valuation company to determine the estimated original cost value, including past years refurbishments, of the School Board's land, buildings, equipment and other property as of June 30, 2005. The School Board contracted with this appraisal/valuation company for two purposes: (1) to correct the School Board's accounting records and valuations for its fixed assets, including any adjustments to its accumulated depreciation, as of June 30, 2005; and (2) to assist in the assessment of the hurricane damage to the School Board's furniture, fixtures and contents as well as estimating building replacement costs. The appraisal company's asset valuation was determined as of June 30, 2005 (before the hurricane), and resulted in the School Board recording a prior period adjustment on the statement of net assets of $26,413,297 to reflect a net increase in the net book value of the School Board's property and equipment (see Notes 3 and 6).

Storm Damage-Impairment and Contents Losses

The recording of the asset impairment to hurricane damaged assets was done in accordance GASB 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Proceeds*. The impairments to the School Board's assets is summarized as follows:

Buildings and improvements impairment	$ 79,901,083
Furniture, equipment and contents damage	2,062,494
Gross impairment of property and equipment before insurance proceeds	82,503,577
Less insurance proceeds in Katrina Restoration Fund	(9,372,810)
Net impairment and contents damage expense	$ 73,130,767

Insurance Proceeds

The School Board had insurance policies in effect at the time of the hurricane for comprehensive property damage (including flood), casualty, business interruption and other coverage's in the aggregate amount of $200,000,000 and additional insurance policies covering flood damage in the amount of $17,800,300. As of June 30, 2006, the insurers have remitted $25,000,000 for property damage and $9,214,219 for flood damage for a total of $34,214,219 (see Act 35 below for allocation of $24,841,409 of these total insurance proceeds to the new RSD School District). The School Board has filed lawsuits against its insurers to collect its remaining claims for additional aggregate damage of approximately $175,000,000. Since the outcome of these lawsuits, including the timing and exact amount of insurance recoveries are uncertain as of the report date, the potential net recoveries have not been included in the accompanying financial statements. The School Board has made an additional flood insurance claim for $1,825,000 which may represent the maximum amount of flood insurance coverage remaining by individual property. These proceeds will be recorded in fiscal year 2007 when and if they are received. The School Board also received additional transportation insurance proceeds in the amount of $3,500,000 prior to June 30, 2006 and $1,500,000 in October 2007 for losses to its transportation assets including leased school buses. Both of these transportation insurance receipts, totaling $5,000,000, are recorded as revenue in the General Fund as of June 30, 2006. The School Board estimates that a significant portion of the hurricane related losses will be covered through grants from the Federal Emergency Management Association (FEMA), Community Development Block Grants (CDBG) potential grants from other Federal and/or State agencies and through additional insurance recoveries. Although some of the School Board's schools have been repaired and reopened, assessments and repair of the damages by the School Board's employees, consultants, contractors, and FEMA is ongoing as of the report date. See additional information regarding FEMA below.

21. HURRICANE KATRINA AND ACT 35 BY LOUISIANA STATE LEGISLATURE (continued)

Employee Layoffs after the Storm

The majority of the employees of the School Board were put on disaster leave effective as of the date of the storm and, on March 24, 2006, approximately 8,000 of the School Board's employees were terminated. The School Board paid the terminated employees approximately $4.6 million in accrued vacation benefits and approximately $2.1 million in accrued sick leave. As of June 30, 2006, the School Board had approximately 400 full time or part-time employees. The laid off employees have also received extended unemployment compensation benefits from the State of Louisiana Department of Labor amounting to approximately $34,413,000 as of June 30, 2006. These unemployment compensation benefits are not expected to be extended any further by the State. The School Board has the responsibility to reimburse the State for these unemployment benefits. Since the State has deferred the School Board's payment of this liability until August 2007, the liability has been classified as long-term in the statement of net assets (see Footnote 9).

Federal Assistance for New Funding for the School Board's Operations

Due to Hurricane Katrina, the Orleans Parish tax and economic base was severely damaged. As a result, the School Board's ad valorem and sales tax revenues have been significantly reduced. In order to assist in providing funding for the operations of the School Board's schools, two new loan programs were adopted by the Federal Government. On May 12, 2006 the School Board received a Special Community Disaster Loan (CDL) of $25 million from FEMA. The School Board received an additional $34.5 million of CDL loan proceeds in September 2006 (See Footnotes 9 and 20). The loans are collateralized with the School Board's future revenue after provision has been made for payments required in connection with any outstanding bond indebtedness in existence at the time of these CDL loans.

The Gulf Opportunity Zone Act, which was passed by the Federal Government on December 21, 2005, allows for the issuance of Gulf Tax Credit Bonds (GO Zone bonds) by the State of Louisiana to assist local governments in paying bonded indebtedness. As a result, the State is paying the School Board's debt service for bonded debt for the next three fiscal years starting in July 1, 2006 in the amounts of $33,438,546, $28,233,689, and $14,480,519 per year, respectively. This new GO Zone debt in the amount to $76,152,754 will have its principal and interest payments deferred until July 15, 2012, when semi-annual principal and interest payments will begin. The debt will begin accruing interest at a rate of 4.640% on July 15, 2011.

Charter Schools Openings Following Hurricane Katrina

The School Board and the State approved ten new Charter Schools (six included in the Algiers Charter School System) that started operations after the hurricane. These ten new Charters, along with two previous Charter Schools, and five of the School Board's own schools opened after the hurricane between December 2006 and February 2007. As of June 30, 2006 the twelve Charter schools had approximately 6,000 students and the School Board's five schools had approximately 3,000 students (see Act 35 below for information about the new Recovery School District (RSD)). The School Board provides the Charter schools and the RSD schools with their pro rata share of local ad valorem and sales tax funding along with a pass through of the Charter schools share of State funds provided through the Minimum Funding Program (MFP). The State remits directly to the RSD schools for their share of MFP. The total amount of local tax and MFP funding paid by the School Board to its Charter Schools amounted to approximately $24.7 million for fiscal year ended June 30, 2006. The amount of local tax funding paid by the School Board to the RSD schools amounted to approximately $3.3 million for the same period. During the fiscal ended June 30, 2007 five of the School Board's Charter Schools will be transferred to the authority of the RSD. The School Board approved five new Charter Schools for fiscal year ended June 30, 2007 which will result in the School Board being responsible for eleven Charter schools in the upcoming fiscal year.

21. HURRICANE KATRINA AND ACT 35 BY LOUISIANA STATE LEGISLATURE (continued)

The School Board is also responsible for managing Federal and State grants for both its own schools and the Charter Schools (called Special Revenue Programs). The amount of Federal funding that was paid to the School Board to be passed through to the Charter Schools amounted to $16,877,592 for the year ended June 30, 2006 Since these were strictly pass-through amounts to the Charter Schools, these funds were not shown as revenue and related expenditures in the accompanying financial statements.

ACT 35

In November 2005, Louisiana House Bill 121 (Act 35) transferred control of each School Board school deemed to be in academic crisis, as determined by standardized student testing results, to the Louisiana State Department of Education's Recovery School District (RSD). This Act resulted in approximately 83% (106 schools) of the School Board's former schools being transferred to the new RSD. Effective with the passage of Act 35, the RSD is responsible for providing all educational services to students attending the transferred schools. The bill provided for the transfer of operational and managerial control of the transferred schools for a period of not less than five years. Further, the bill provides the RSD with authorization to manage and retain funding under the Minimum Foundation Program and it's pro rata share of local ad valorem and sales taxes corresponding to the students attending the transferred schools. While the School Board retains ownership of each transferred school, Act 35 transferred all rights and responsibilities associated with property ownership to the RSD. At the direction of The Louisiana Department of Education, the School Board transferred the net book value (after impairment due to Hurricane Katrina) of the transferred schools to the RSD and recorded a long term receivable from the RSD in the amount of $134,614,742 as the bill provides for the schools to be returned to the School Board at the conclusion of Act 35. The summary of the properties transferred is as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 19,727,972	$ -	$ 19,727,972
Building and improvements	263,849,452	157,308,775	106,540,677
Furniture and equipment	58,541,683	50,195,590	8,346,093
	$ 342,119,107	$ 207,504,365	$ 134,614,742

Insurance Proceeds to RSD

As noted above, the School Board received $34,214,219 of insurance proceeds related to wind and flood damage to its schools. Act 35 provided that any insurance proceeds that are not used by the School Board for debt service requirements, are to be allocated to both the School Board and to the RSD to be used to help fund the storm damage repairs to each of their respective schools. Since the insurance companies have not yet provided a complete allocation of the insurance proceeds by school, an estimate was made to allocate the insurance proceeds. The estimated allocation, which may change in the future when better facts are known, amounted to $9,372,810 for the School Board's remaining schools and $24,841,409 for the schools transferred to RSD. This liability to the RSD is offset by expenditures the School Board incurred on behalf of the RSD resulting in a net liability of $19,320,647. This net liability is recorded in the Katrina Restoration Fund (See below).

21. HURRICANE KATRINA AND ACT 35 BY LOUISIANA STATE LEGISLATURE (continued)

Rebuilding of the School Board's and RSD Schools with FEMA Assistance

The RSD hired a consulting firm to assist them in the management of the rebuilding of the schools in the New Orleans area. This contract also provided for the management of the insurance recoveries and the assistance being provided by the Federal Government through FEMA. The School Board has also contracted with the consulting firm for the same purpose. In order to get the rebuilding process started as soon as possible, FEMA required the School Board to be the "FEMA Applicant" regardless of whether it was an RSD school or a School Board controlled school. This requirement was subsequently changed by FEMA whereby each School District was made responsible for its own schools. In the interim however, the School Board incurred expenditures on behalf of the RSD and received FEMA reimbursements on behalf of the RSD. At June 30, 2006, the net payable to the RSD by the School Board regarding the FEMA related rebuilding and operating activities and the related insurance proceeds allocations are as follows:

Insurance proceeds allocated to RSD	$ 24,841,409
FEMA reimbursements received on behalf of RSD	4,815,704
Rebuilding expenditures incurred on behalf of RSD	(10,336,466)
Balance due to RSD as reported in Katrina Restoration Fund	$ 19,320,647

Electricity and gas expenditures incurred on behalf of RSD recorded in the General Fund	$ 906,848

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2005

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources:				
Ad valorem taxes	$ 110,500,000	$ 33,559,498	$ 46,752,643	$ 13,193,145
Sales and use tax (including vehicle)	93,600,000	28,382,341	42,765,733	14,383,392
Earnings on investments	-	-	1,540,288	1,540,288
Other	19,000,000	1,938,451	811,498	(1,126,953)
State and federal sources:				
Minimum Foundation Program	199,800,000	96,167,383	97,594,257	1,426,874
Other	6,500,000	6,191,681	9,230,759	3,039,078
Federal sources	800,000	297,780	323,556	25,776
TOTAL REVENUES	430,200,000	166,537,134	199,018,734	32,481,600
EXPENDITURES				
Current:				
Instruction:				
Regular programs	194,803,416	43,411,955	37,609,376	5,802,579
Special programs	32,100,002	10,061,986	8,751,997	1,309,989
Other programs	-	4,815,601	4,031,308	784,293
Support:				
Student services	26,646,525	5,374,813	4,756,256	618,557
Instructional staff support	16,234,319	3,032,084	1,503,732	1,528,352
General administration	5,319,927	6,653,973	5,193,536	1,460,437
School administration	15,848,600	5,896,808	4,320,659	1,576,149
Business services	22,697,524	21,023,358	17,073,174	3,950,184
Student transportation services	13,838,340	3,201,412	1,842,567	1,358,845
Central services	22,484,195	4,721,810	2,189,754	2,532,056
Plant services	32,399,282	20,820,975	17,602,740	3,218,235
Other	-	1,946,977	771,580	1,175,397
Debt Service-bus lease	-	-	3,624,851	(3,624,851)
TOTAL EXPENDITURES	382,372,130	130,961,752	109,271,530	21,690,222
EXCESS OF REVENUES OVER EXPENDITURES	47,827,870	35,575,382	89,747,204	54,171,822

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - continued

FISCAL YEAR ENDED JUNE 30, 2005

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES				
Proceeds from loans	-	20,000,000	25,001,093	5,001,093
Proceeds from insurance	-	-	5,000,000	5,000,000
Transfers in	-	-	-	-
Transfers out	(35,779,000)	(6,401,821)	(25,733,220)	(19,331,399)
Transfers out-charter schools	-	(27,911,915)	(28,039,325)	(127,410)
TOTAL OTHER FINANCING SOURCES (USES)	(35,779,000)	(14,313,736)	(23,771,452)	(9,457,716)
EXCESS OF REVENUES AND OTHER SOURCHES OVER EXPENDITURES AND OTHER USES	12,048,870	21,261,646	65,975,752	44,714,106
FUND BALANCE, JUNE 30, 2005	(2,041,057)	(2,041,057)	(2,041,057)	-
PRIOR PERIOD ADJUSTMENT	463,658	463,658	463,658	-
FUND BALANCE, JUNE 30, 2006	$ 10,471,471	$ 19,684,247	$ 64,398,353	$ 44,714,106

(concluded)

Note:

The Budget Presentation in the Original Budget column is the same presentation that was used in prior years which presents the Ad Valorem and Sales tax revenue on a gross basis to include those taxes that are dedicated to Debt Service payments. The Ad Valorem taxes dedicated to Debt Service include GO Bond millage and Proposition D millage. The Sales Tax dedicated to Debt Service is 1/2 cents of the total 1 1/2-cents sales tax. The transfer to the Debt Service Fund of the dedicated taxes are shown in the Expenditures Transfers Out line. Thus the dedicated Debt Service taxes are netted out of the General Fund with this transfer.

The presentation in the Final Budget and Actuals columns have been changed to exclude the Debt Service dedicated taxes in both the Tax Revenues lines and the Expenditures Transfers Out line. These dedicated taxes are now recorded directly in the Debt Service Funds as Ad Valorem and Sales Tax Revenues. The Expenditures Out line in the General Fund now includes only the portion of debt service that is funded by General Fund proceeds. The portion of debt service that is funded by the dedicated ad valorem millage and sales tax revenue is now directly recorded in the Debt Service funds.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

General Obligation Bonds

BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2006

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State and federal sources:				
Advalorem taxes	$ 10,770,108	$ 10,770,108	$ 15,002,560	$ 4,232,452
Earnings on investments	60,000	60,000	79,999	19,999
TOTAL REVENUES	10,830,108	10,830,108	15,082,559	4,252,451
EXPENDITURES				
Debt Service:				
Principal retirement	4,410,000	4,410,000	4,410,000	-
Interest and bank charges	7,919,035	7,919,035	7,919,035	-
Bond issuance costs	2,500	2,500	2,665	(165)
TOTAL EXPENDITURES	12,331,535	12,331,535	12,331,700	(165)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,501,427)	(1,501,427)	2,750,859	4,252,286
OTHER FINANCING SOURCES				
Transfers in	1,501,427	1,501,427	7,491,099	5,989,672
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	1,501,427	1,501,427	7,491,099	5,989,672
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	10,241,958	10,241,958
FUND BALANCE, JUNE 30, 2005	24,966,532	24,966,532	24,966,532	-
FUND BALANCE, JUNE 30, 2006	$ 24,966,532	$ 24,966,532	$ 35,208,490	$ 10,241,958

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

	Special Revenue	Debt Service	Capital Project	Total
ASSETS				
Cash	$ 2,221	$ 18,246	$ 6,054,445	$ 6,074,912
Investments	-	-	-	-
Due from other funds	7,489,182	28,728,815	4,374,629	40,592,626
Due from other governments	27,258,059	-	-	27,258,059
Inventory	100,020	-	-	100,020
Other receivables	66,067	-	-	66,067
TOTAL ASSETS	$ 34,915,549	$ 28,747,061	$ 10,429,074	$ 74,091,684
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 495,914	$ 1,500	$ 10,927	$ 508,341
Due to other funds	34,021,191	-	934,889	34,956,080
Deferred revenues	242,140	-	-	242,140
TOTAL LIABILITIES	$ 34,759,244	$ 1,500	$ 945,816	$ 35,706,561
Fund balances:				
Reserved for:				
Inventory	$ 156,304	$ -	$ -	$ 156,304
Debt service	-	28,745,561	-	28,745,561
Capital projects	-	-	9,483,258	9,483,258
TOTAL FUND BALANCES	$ 156,304	$ 28,745,561	$ 9,483,258	$ 38,385,123
TOTAL LIABILITIES AND FUND BALANCES	$ 34,915,549	$ 28,747,061	$ 10,429,074	$ 74,091,684

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2006

	Special Revenue	Debt Service	Capital Project	Total
REVENUES				
Local sources:				
Ad valorem taxes	$ -	$ -	$ 3,558,510	$ 3,558,510
Sales taxes		$ 21,350,808		21,350,808
Investment earnings	8,395	28,349	413,097	449,841
Other	-	-	58,714	58,714
State and federal:				
Minimum Foundation Program	586,708	-	-	586,708
Other	1,344,434	-	-	1,344,434
Federal funds	20,921,577	-	-	20,921,577
TOTAL REVENUES	22,861,114	21,379,157	4,030,321	48,270,592
EXPENDITURES				
Instruction:				
Regular education programs	6,904,400	-	-	6,904,400
Special education programs	1,599,319	-	-	1,599,319
Other education programs	7,094,763	-	-	7,094,763
Support:				
Student services	646,278	-	-	646,278
Instructional staff services	1,642,634	-	-	1,642,634
General administration	341,003	-	-	341,003
School administration	615,996	-	-	615,996
Student transportation services	406,904	-	-	406,904
Central services	719,606	-	-	719,606
Plant services	1,821,156	-	-	1,821,156
Food services	2,784,567	-	-	2,784,567
Capital Outlay	98,588	-	1,663,782	1,762,370
Other	3,350,056	-	780,872	4,130,928
Debt Service:				
Principal retirement	-	16,206,105	-	16,206,105
Interest and bank charges	-	5,542,341	-	5,542,341
TOTAL EXPENDITURES	28,025,270	21,748,446	2,444,654	52,218,370
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,164,156)	(369,289)	1,585,667	(3,947,778)

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - continued

JUNE 30, 2006

	Special Revenue	Debt Service	Capital Project	Total
OTHER FINANCING SOURCES AND USES				
Transfers in	4,575,184	21,261,676	-	25,836,860
Transfers out	(103,640)	-	(7,491,099)	(7,594,739)
TOTAL OTHER FINANCING SOURCES	4,471,544	21,261,676	(7,491,099)	18,242,121
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(692,612)	20,892,387	(5,905,432)	14,294,343
PRIOR PERIOD ADJUSTMENT	-	-	(275,981)	(275,981)
FUND BALANCE, JUNE 30, 2005	848,916	7,853,174	15,664,671	24,366,761
FUND BALANCE, JUNE 30, 2006	$ 156,304	$ 28,745,561	$ 9,483,258	$ 38,385,123

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2006

	Other Federal	State and Local	Child Nutrition	Total
ASSETS				
Cash	$ -	$ -	$ 2,221	$ 2,221
Due from other funds	1,291,895	3,362,081	2,835,206	7,489,182
Due from other governments	26,360,292	897,767	-	27,258,059
Inventory	-	-	100,020	100,020
Other receivables	-	-	66,067	66,067
TOTAL ASSETS	$ 27,652,187	$ 4,259,848	$ 3,003,514	$ 34,915,549
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 475,002	$ 6,225	$ 14,687	495,914
Due to other funds	27,177,185	4,011,483	2,832,523	34,021,191
Deferred revenues	-	242,140	-	242,140
TOTAL LIABILITIES	27,652,187	4,259,848	2,847,210	34,759,244
Fund balances:				
Reserved for inventory	-	-	156,304	156,304
TOTAL FUND BALANCES	-	-	156,304	156,304
TOTAL LIABILITIES AND FUND BALANCES	$ 27,652,187	$ 4,259,848	$ 3,003,514	$ 34,915,549

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

June 30, 2006

	Other Federal	State and Local	Child Nutrition	Total
REVENUES				
Local sources:				
Investment earnings	$ -	$ -	$ 8,395	$ 8,395
State and federal:				
Minimum Foundation Program	-	-	586,708	586,708
Other	-	864,985	479,449	1,344,434
Federal funds	19,900,364	-	1,021,213	20,921,577
TOTAL REVENUES	19,900,364	864,985	2,095,765	22,861,114
EXPENDITURES				
Current				
Instruction:				
Regular education programs	6,482,956	421,445	-	6,904,400
Special education programs	1,598,433	-	885	1,599,319
Other education programs	6,889,924	204,838	-	7,094,763
Support:				
Student services	642,792	3,486	-	646,278
Instructional staff services	1,444,370	198,264	-	1,642,634
General administration	341,003	-	-	341,003
School administration	615,996	-	-	615,996
Plant services	1,818,231	-	2,925	1,821,156
Student transportation services	406,904	-	-	406,904
Central services	719,606	-	-	719,606
Food services	-	-	2,784,567	2,784,567
Capital outlay	98,588	-	-	98,588
Other	3,328,925	21,132	-	3,350,056
TOTAL EXPENDITURES	24,387,728	849,165	2,788,377	28,025,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,487,364)	15,820	(692,612)	(5,164,156)
OTHER FINANCING SOURCES AND USES				
Transfers in	4,489,688	85,496	-	4,575,184
Transfers out	(2,324)	(101,316)	-	(103,640)
TOTAL OTHER FINANCING SOURCES	4,487,364	(15,820)	-	4,471,544
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND	-	-	(692,612)	(692,612)
FUND BALANCE, JUNE 30, 2005	-	-	848,916	848,916
FUND BALANCE, JUNE 30, 2006	$ -	$ -	$ 156,304	$ 156,304

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	Energy Retrofit Project
ASSETS			
Cash	$ 3,760	$ 27	$ -
Due from other funds	28,018,718	700,970	-
TOTAL ASSETS	$ 28,022,478	$ 700,997	$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	1,500	-
TOTAL LIABILITIES	-	1,500	-
Fund balances:			
Reserved for debt service	28,022,478	699,497	-
TOTAL FUND BALANCES	28,022,478	699,497	-
TOTAL LIABILITIES AND FUND BALANCES	$ 28,022,478	$ 700,997	$ -

(continued)

Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
$ 14,459	$ -	$ -	$ -	$ 18,246
-	-	-	9,127	28,728,815
$ 14,459	$ -	$ -	$ 9,127	$ 28,747,061
-	-	-	-	1,500
-	-	-	-	1,500
14,459	-	-	9,127	28,745,561
14,459	-	-	9,127	28,745,561
$ 14,459	$ -	$ -	$ 9,127	$ 28,747,061

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	Energy Retrofit Project
REVENUES			
Local sources:			
Ad Valorem taxes	$ -	$ -	$ -
Sales and use tax	7,336,320	14,014,488	-
Earnings on investments	159	28,190	-
TOTAL REVENUES	7,336,479	14,042,678	-
EXPENDITURES			
Principal retirement	-	13,320,000	920,000
Interest and bank charges	-	4,983,380	139,596
TOTAL EXPENDITURES	-	18,303,380	1,059,596
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,336,479	(4,260,702)	(1,059,596)
OTHER FINANCING SOURCES AND USES			
Transfers in	18,382,340	-	483,077
TOTAL OTHER FINANCING SOURCES	18,382,340	-	483,077
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	25,718,819	(4,260,702)	(576,519)
FUND BALANCE, JUNE 30, 2005	2,303,659	4,960,199	576,519
FUND BALANCE, JUNE 30, 2006	$ 28,022,478	$ 699,497	$ -

(continued)

Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
$ -	$ -	$ -	$ -	$ -
-	-	-	-	21,350,808
-	-	-	-	28,349
-	-	-	-	21,379,157
165,000	296,105	1,505,000	-	16,206,105
30,988	112,402	272,305	3,670	5,542,341
195,988	408,507	1,777,305	3,670	21,748,446
(195,988)	(408,507)	(1,777,305)	(3,670)	(369,289)
210,447	408,507	1,777,305	-	21,261,676
210,447	408,507	1,777,305	-	21,261,676
14,459	-	-	(3,670)	20,892,387
-	-	-	12,797	7,853,174
$ 14,459	$ -	$ -	$ 9,127	$ 28,745,561

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

	GO Bonds Funded Capital Projects	Propositon D Funded Capital Projects	Total
ASSETS			
Cash	$ 5,343,233	$ 711,212	$ 6,054,445
Due from other funds	-	4,374,629	4,374,629
TOTAL ASSETS	$ 5,343,233	$ 5,085,841	$ 10,429,074
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	851	10,076	10,927
Due to other funds	934,889	-	934,889
TOTAL LIABILITIES	935,740	10,076	945,816
Fund balances:			
Reserved for capital projects	4,407,493	5,075,765	9,483,258
TOTAL FUND BALANCES	4,407,493	5,075,765	9,483,258
TOTAL LIABILITIES AND FUND BALANCES	$ 5,343,233	$ 5,085,841	$ 10,429,074

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2006

	GO Bonds Funded Capital Projects	Propositon D Funded Capital Projects	Total
REVENUES			
Local sources:			
Earnings on investments	$ 307,426	$ 105,671	$ 413,097
Ad valorem taxes	-	3,558,510	3,558,510
Other revenues	-	58,714	58,714
TOTAL REVENUES	307,426	3,722,895	4,030,321
EXPENDITURES			
Other expenditures	47,490	733,382	780,872
Capital Outlay	784,502	879,280	1,663,782
TOTAL EXPENDITURES	831,992	1,612,662	2,444,654
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(524,566)	2,110,233	1,585,667
OTHER FINANCING SOURCES AND USES			
Transfers in	-	-	-
Transfer out	(7,491,099)	-	(7,491,099)
TOTAL OTHER FINANCING SOURCES	(7,491,099)	-	(7,491,099)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	(8,015,665)	2,110,233	(5,905,432)
PRIOR PERIOD ADJUSTMENT	(103,747)	(172,234)	(275,981)
FUND BALANCE, JUNE 30, 2005	12,526,905	3,137,766	15,664,671
FUND BALANCE, JUNE 30, 2006	$ 4,407,493	$ 5,075,765	$ 9,483,258

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUND TYPE

COMBINING BALANCE SHEET

JUNE 30, 2006

	Health Insurance	Other Insurance
ASSETS		
Cash and cash equivalents	$ -	$ 164,797
Other receivables	-	-
Due from other funds	2,000,000	-
Prepaid insurance	-	-
TOTAL ASSETS	$ 2,000,000	$ 164,797
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 2,000,000	$ 164,797
Wages payable	-	-
Due to other funds	-	-
Liability claims payable/self insured losses	-	-
TOTAL LIABILITIES	2,000,000	164,797
Net Assets - unrestricted	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 2,000,000	$ 164,797

(continued)

Workers' Compensation Insurance	Retiree Insurance	Print Shop	Total Internal Service Funds
$ (529,143)	$ 2,254,390	$ -	$ 1,890,044
15,220	-	-	15,220
10,104,119	-	-	12,104,119
-	-	-	-
$ 9,590,196	$ 2,254,390	$ -	$ 14,009,383
$ -	$ -	$ -	$ 2,164,797
-	-	-	-
-	2,254,390	-	2,254,390
9,590,196	-	-	9,590,196
9,590,196	2,254,390	-	14,009,383
-	-	-	-
$ 9,590,196	$ 2,254,390	$ -	$ 14,009,383

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUND TYPE

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Health Insurance	Other Insurance
OPERATING REVENUES		
Employer contributions	$ 5,524,314	$ -
Employee contributions	-	1,125,567
Other miscellaneous revenue	-	105
TOTAL OPERATING REVENUE	5,524,314	1,125,672
OPERATING EXPENSES		
Premium payments	5,524,314	$ 1,125,757
Other expenses	-	15
TOTAL OPERATING EXPENSES	5,524,314	1,125,772
NET OPERATING INCOME	-	(100)
INCOME (LOSS) BEFORE TRANSFERS	-	(100)
Transfers out	-	-
Transfers in	-	-
CHANGE IN NET ASSETS	-	(100)
NET ASSETS at JUNE 30, 2005	-	100
NET ASSETS at JUNE 30, 2006	$ -	$ -

(continued)

Workers' Compensation Insurance	Retiree Insurance	Print Shop	Total Internal Service Funds
$ -	$ -	$ -	$ 5,524,314
-	-	-	1,125,567
6,796,015	-	-	6,796,120
6,796,015	-	-	13,446,001
6,795,715	-	-	13,445,786
300	-	-	315
6,796,015	-	-	13,446,101
-	-	-	(100)
-	-	-	(100)
-	-	-	-
-	-	-	-
-	-	-	(100)
-	-	-	100
$ -	$ -	$ -	$ -

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUND TYPE

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2006

	Health Insurance	Other Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash premiums received	$ 5,336,489	$ 1,868,185
Cash paid in claims and benefits	(5,336,489)	(2,067,327)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	-	(199,142)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund transfers and advances	-	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	-	(199,142)
CASH AT BEGINNING OF YEAR	-	363,939
CASH AT END OF YEAR	$ -	$ 164,797
Reconciliation of operating income (loss) to net cash provided used by (used in) operating activities		
Operating income (loss)	$ -	$ (100)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:		
Changes in:		
Other receivables	1,812,175	39,157
Due from other funds	(2,000,000)	-
Prepaid insurance	-	1,829,028
Accounts payable	2,000,000	412,500
Wages payable	-	(19,834)
Due to other funds	(1,790,728)	(1,886,283)
Claims payable/self-insured losses payable	(21,447)	(573,710)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	$ -	$ (199,242)

(continued)

Workers' Compensation Insurance	Retiree Insurance	Print Shop	Total Internal Service Funds
$ 3,129,640	$ 2,254,390	$ 19,358	$ 12,608,062
(3,416,403)	-	(19,358)	(10,839,577)
(286,763)	2,254,390	-	1,768,485
-	-	-	-
-	-	-	-
(286,763)	2,254,390	-	1,768,485
(242,380)	-	-	121,559
$ (529,143)	$ 2,254,390	$ -	$ 1,890,044
$ -	$ -	$ -	$ (100)
(15,220)	-	-	1,836,112
(3,787,156)	-	19,358	(5,767,798)
136,001	-	-	1,965,029
(43,363)	-	(1,647)	2,367,490
-	-	(17,711)	(37,545)
-	2,254,390	-	(1,422,621)
3,422,975	-	-	2,827,818
$ (286,763)	$ 2,254,390	$ -	$ 1,768,385

(concluded)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

AGENCY FUNDS

COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES

June 30, 2006

	Student Activity	Agency Total
ASSETS		
Cash and cash equivalents	$ 459,206	$ 459,206
Other receivables	-	-
TOTAL ASSETS	$ 459,206	$ 459,206
LIABILITIES		
Accounts payable	$ -	$ -
Due to student groups	459,206	459,206
TOTAL LIABILITIES	$ 459,206	$ 459,206

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
STUDENT ACTIVITY				
ASSETS				
Cash and cash equivalents	$ 4,979,172	$ -	$ 4,519,966	$ 459,206
Receivables	28,692	-	28,692	-
TOTAL ASSETS	$ 5,007,864	$ -	$ 4,548,658	$ 459,206
LIABILITIES				
Accounts payable	$ 299,439	$ -	$ 299,439	$ -
Due to student groups	4,708,425	-	4,249,219	459,206
TOTAL LIABILITIES	$ 5,007,864	$ -	$ 4,548,658	$ 459,206
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 4,979,172	$ -	$ 4,519,966	$ 459,206
Other receivables	28,692	-	28,692	-
TOTAL ASSETS	$ 5,007,864	$ -	$ 4,548,658	$ 459,206
LIABILITIES				
Accounts payable	$ 299,439	$ -	$ 299,439	$ -
Due to student groups	4,708,425	-	4,249,219	459,206
TOTAL LIABILITIES	$ 5,007,864	$ -	$ 4,548,658	$ 459,206

ORLEANS PARISH SCHOOL BOARD

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2006

P&N

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ORLEANS PARISH SCHOOL BOARD

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2006

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EXHIBIT A

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

Orleans Parish School Board
New Orleans, Louisiana

We have audited the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2006, and have issued our qualified report, which included an explanatory paragraph relating to component units not included in the financial statements, thereon dated February 28, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the Orleans Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Orleans Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgement, could adversely affect the School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2006-1 through 2006-9.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions referred as items 2006-1, 2006-2 and 2006-4 are material weaknesses.

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

Postlethwaite & Netterville

Metairie, Louisiana
February 28, 2007

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EXHIBIT B

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Orleans Parish School Board
New Orleans, Louisiana

Compliance

We have audited the compliance of the Orleans Parish School Board with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Orleans Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Orleans Parish School Board's management. Our responsibility is to express an opinion on the Orleans Parish School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Orleans Parish School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Orleans Parish School Board's compliance with those requirements.

In our opinion the Orleans Parish School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-10, 2006-11 and 2006-13.

Internal Control Over Compliance

The management of the Orleans Parish School Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Orleans Parish School Board's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on

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compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgment, could adversely affect the School Board's ability to administer a major federal program in accordance with the applicable laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006 -1, 2006-2, 2006-4, 2006-6, 2006-9, 2006-12, 2006-14, and 2006-15.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable laws, regulations, contracts or grants that would be material in relation to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions referred as items 2006-12, 2006-14, and 2006-15 above are material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2006, and have issued our qualified report, which included an explanatory paragraph relating to component units not included in the financial statements, thereon dated February 28, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Postlethwaite & Netterville

Metairie, Louisiana
February 28, 2007

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ORLEANS PARISH SCHOOL BOARD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orleans Parish School Board and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2006, the organization had food commodities totaling $100,020 in inventory.

NOTE C - RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The expenditures listed in the accompanying schedule are reported in the following funds in either the governmental funds statement of revenues, expenditures and changes in fund balances (basic statement) or the nonmajor special revenue funds combining statement of revenues, expenditures and changes in fund balance, (supplemental information) of the Orleans Parish School Board's June 30, 2006 financial statements.

Hurricane Katrina Restoration Fund	$ 5,585,195
Other Federal Funds	20,921,577
Financial Statement Total	$ 26,506,772

ORLEANS PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualifed

- Material weakness (es) identified? __x__ yes ______ no
- Reportable condition(s) identified that are not considered to be material weaknesses? __x__ yes ______ no

Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? __x__ yes ______ no
- Reportable condition(s) identified that are not considered to be material weaknesses? __x__ yes ______ no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ______ yes __x__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.036	U.S. Department of Homeland Security (FEMA) *Disaster Relief Program*
84.010A	Title I Grant to Local Educational Agencies
84.938A	Immediate Aid to Restart School Operations
84.938C	Emergency Impact Aid for Displaced Students

- The threshold for distinguishing types A & B programs – $795,203
- The Orleans Parish School Board did not qualify as a low-risk auditee.

B. Findings – Financial Statement Audit

Management's Overall Response

As noted in prior years' Audit Reports on Compliance and Internal Control, the School Board's System of Internal Controls and related processes, procedures and human resources were inadequate. These inadequacies compromised the safeguarding of assets and the ability to maintain accurate financial books and records. This situation also resulted in the outside auditors being unable to express an opinion on School Board's annual financial statements for the past three fiscal years.

The School Board hired several consulting firms in 2004 and 2005 to rectify the situation; however this work resulted in only limited improvements. The situation was also hampered by the high turnover of finance and accounting personnel. In July 2005, the School Board hired the consulting and restructuring firm of Alvarez & Marsal (A&M) to provide financial advice and an objective review of the School Board's financial controls, policies and procedures. Specifically, A&M was hired to assess the School Board's existing financial condition and to implement effective financial systems, a restructured finance and accounting organization, and to develop policies and procedures that would improve the accuracy and timely compilation and presentation of financial information. A&M has been actively delivering services, including performing or assisting the School Board's accounting and finance personnel perform their on-going duties, these past 18 months. These services include all the changes made necessary by Hurricane Katrina which occurred in late August, 2005.

Due to the inadequacies of the School Board's system of internal controls and related processes, A&M implemented a temporary control environment as a work around to respond to these deficiencies. This temporary control environment relied upon a series of manual controls involving cash receipts and cash disbursements whereby all receipts and expenditures were manually tracked and A&M retained signatory control over all cash activity. This temporary solution was not intended to be a substitute for a comprehensive system of internal controls, but rather an interim solution during the development and implementation of a new comprehensive financial system. This temporary control environment provided adequate assurance that the School Board's assets were being properly safeguarded and allowed for timely, reliable and accurate financial reporting to be reestablished on an interim basis while the new comprehensive financial system was being implemented.

The School Board's school system has changed substantially since Hurricane Katrina and the enactment of Act 35, which was passed by the Louisiana State Legislature in November, 2005. Act 35 transferred operational control of approximately 83% of the School Board's schools to the Louisiana State Department of Education's Recovery School District (RSD). The student population in the School Board controlled schools and School Board's charter schools has decreased from 63,000 students to approximately 9,400 students and the number of schools continuing to be under the School Board's control was reduced from 126 to 18. During late 2005 and early 2006, the School Board re-opened 6 schools under its direct control (approximately 3,000 students at end of the fiscal year ended June 30, 2006, school year) and authorized the opening of 12 charter schools that had approximately 6,400 students at the end of the current fiscal year. Starting with the fiscal year ended June 30, 2007, 5 of these 12 charter schools were transferred to the control of RSD.

As a result of Hurricane Katrina, the School Board's permanent administrative offices were destroyed forcing the Schools Board to occupy a series of temporary administrative office locations. During a twelve-month period post-Katrina, the School Board's administrative operations were forced to relocate a total of five times until new permanent location was obtained in August 2006. The transient nature of conducting its administrative operations during this period was very disruptive to the School Board's overall administrative operations and had resulted in numerous documents being either misplaced or lost.

During 2006 and 2007 work continued on the development and implementation of a new comprehensive financial system. Many new and or improved internal control processes and procedures have been developed and implemented which are providing a significant improvement to the School Board's internal controls, financial accounting and management reporting. The School Board has also implemented a new Financial Accounting, Human Resources and Payroll System from Tyler Technologies, Inc., Munis Division (Munis). The implementation of this new system started in April of 2006, with the Payroll and Human Resource modules added in July 2006. The Munis AFR Reporting module was implemented in the Fall of 2006 and was used to prepare the fiscal year 2006 Annual Financial Report (AFR) for submission to the State of Louisiana Department of Education. New Crystal financial reports using the Munis System accounting data were developed and tested during the last half of 2006. These management financial reports were implemented during January 2007. There are more control processes and procedures that are in the final stages of development and formalization as of the report date, including new Munis modules for Billing and Accounts Receivable and a new GASB 34 reporting module. The School Board's internal control environment should continue to improve once all of the new procedures and processes are formalized and fully understood and effectively implemented (including the new Munis accounting system) by both new and on-going School Board accounting and administrative employees.

The historic high turnover of the School Board's accounting and administrative staff has continued to hinder the School Board post-Katrina. It has been extremely difficult to find competent accounting, IT, HR and other administrative staff during 2006 and 2007 for either temporary or permanent positions. Some of the newly hired permanent School Board staff commenced working in January and February 2007. As of the report date, the School Board is still using some temporary accounting staff, including staff from other professional consulting firms. As a consequence of the School Board's inadequate staffing since Hurricane Katrina, A&M resources were required to assist in performing the on-going accounting and reporting functions. Many of the new permanent staff have not yet been fully trained in the new control procedures and accounting processes that are currently in existence and those that are in the final stages of development. As soon as this training is completed for all new employees and they develop the necessary understanding and competence, additional significant improvements and efficiencies in the accounting processes should be forthcoming. It is the School Board's plans to have the A&M staff continue to transition their knowledge of the new processes and procedures to both School Board personnel and the temporary professional personnel during the first quarter of 2007. This knowledge transition and the completion of the final procedures by A&M should be completed by March 31, 2007. Most of the A&M staff will then roll off this assignment. Some of the other temporary professional staff may continue on for a period after A&M's departure to continue assisting the School Board's staff with their on going accounting and administrative work and also to help them learn and re-enforce the new control processes and procedures.

Management's responses below for the fiscal year ended June 30, 2006 audit findings will not repeat the above general management overview and overall improvement plan, but it should be taken into consideration when reading management's response to each audit finding.

<u>2006-1 Payroll and Human Resources</u>

Criteria: Adequate internal controls relating to payroll and human resources require that specific procedures be in place to ensure that payroll expenses are properly recorded and that proper documentation relating to payroll expenses and employee records are sufficiently maintained. In addition, there should be controls in place to ensure that payroll checks are only issued to current employees of the School Board.

Condition:	Based on the results of our haphazard sample of payroll transactions, the following exceptions were noted: • 26 of 40 (65.0.5%) personnel files did not contain employee identification in the form of photo identification or social security card • 40 of 40 (100.0%) personnel files lacked documentation of an approved salary • 36 of 40 (90%) the time documented on time sheets or transmittal form did not agree to the hours per the payroll register • 8 of 8 (100.0%) support for overtime approval could not be located • 7 of 20 (35.0%) teaching certificate was not maintained in the employee file • 1 of 5 (20.0%) sabbatical compensation was incorrectly calculated
Cause:	The School Board did not maintain an adequate control environment for the payroll and human resources departments due to a lack of management oversight. Also, adequate written policies and procedures did not exist during the audit period. Many files were destroyed or damaged by Hurricane Katrina, thus requested documentation could not be provided.
Effect:	The lack of adequate internal controls relating to the payroll and human resources departments significantly increases the risk that material errors and irregularities could exist and not be detected.
Recommendation:	The School Board should develop written internal control procedures within the payroll and human resource departments to include a control environment with management monitoring the process to ensure that payroll and human resource personnel are complying with policies established by the School Board.
Management's Response:	Some of the School Board's records were either lost or misplaced as a result of Hurricane Katrina and its tumultuous aftermath. To improve the accuracy, efficiency and procedural control of our payroll processing, the School Board replaced the Oracle payroll application and the post-Katrina interim ADP payroll process with a new payroll system from the Tyler Technologies, Inc., Munis Division, effective as of July 1, 2006. No data was directly migrated from the legacy Oracle system. All source data was verified for accuracy, re-entered into the Munis system, tested and then re-verified. As part of the process, all employees were required to complete new W-4 forms, provide picture identification, and social security cards. The HR and Payroll staffs have received training on the operation of the Munis HR/Payroll application. A new hiring and budget control process, called Position Control, was implemented as part of this new system, and extensive training and re-training has occurred with new and on-going HR and payroll employees. With the Position Control functionality, no employee can be hired and paid unless a budgeted and vacant position exists. Several additional key controls were implemented during and after the Munis conversion including: requiring principals or department heads to approve all timesheets for all hours paid in a pay cycle; school principals or department heads will review the detail payroll records; NOPS senior management will also review summary payroll reports; employees are now paid via direct deposit; Positive Pay was implemented; all payroll costing is confirmed in the Munis GL

account strings to allow for accurate reporting and variance analysis; payrolls are re-verified to ensure accuracy of Munis calculations; and key duties within the HR and Payroll functions have been segregated.

Finally, a new HR Director was hired in late January, 2007, and his training in the new HR systems, controls and procedures are in process.

2006-2 Accrued Expenses and Disbursements

Criteria: Adequate internal controls relating to accrued expenses/disbursements require that specific procedures be in place to ensure that expenses are properly recorded on a timely basis and that there are no misappropriations of the School Board assets.

Condition: Internal controls relating to the accrued expenses/disbursements function are ineffective and inefficient based on the following:

- The accrued expense account required adjustments totaling $541,478 resulting from the lack of supporting documentation for several accruals.

Our detail test of disbursements indicated the following exceptions:

- 10 of 40 (25.0%) invoice approval could not be located and evidence of document cancellation could not be located.
- 4 of 40 (10.0%) check signed with only one signature instead of the required two.
- 2 of 40 (5.0%) cancelled check could not be located.
- 6 of 40 (15.0%) invoice amount did not agree to check amount
- 4 of 40 (10.0%) evidence of signed receipt of goods not located.
- 13 of 40 (32.50) purchase order dated subsequent to invoice
- 10 of 40 (25.0) bid documentation could not be located

Cause: Orleans Parish School Board is not enforcing the policy accrued expenses and disbursement functions.

Effect: The lack of adequate internal control relating to the accrued expenses/disbursements function could result in the School Board assets being misappropriated and/or the financial statements being materially misstated. Financial information for management purposes is unreliable.

Recommendation: The School Board should review the accrued expense account on a monthly basis and determine the propriety of the accrued expenses. Also the School Board should implement adequate internal controls relating to the accrued expense/disbursements function. There needs to be management oversight to ensure that the School Board is complying with their policies and procedures.

Management's Response: Some of the School Board's records were either lost or misplaced as a result of Hurricane Katrina and its tumultuous aftermath. To improve the accuracy, efficiency and procedural control of the accounts payable, the School Board replaced the Oracle Accounts Payable application with a new Accounts Payable application that is part of the new Munis accounting system. The Accounts Payable staff, including new temporary and permanent staff hired in the Fall and Winter of 2006-07, has received training on the operation of the Munis accounts payable application; and, the School Board is currently utilizing the system. As part of the new Munis accounting system, new accounts payable control and processing procedures were developed, and implemented; however, the School Board has been refining the process as the employees gain more experience with Munis. The process revisions include the implementation of new key exception reports. These new refined procedures are currently being formalized and full implementation and training is expected by June 30, 2007.

2006 - 3 Bank Reconciliations

Criteria:	An adequate internal control structure requires adequate research of outstanding checks to ensure that all transactions are properly recorded and that the cash accounts do not contain any errors.
Condition:	Bank reconciliations included several old outstanding checks which were not investigated and which resulted in adjustments totaling $532,344.
Cause:	Due to the absence of written procedures the School Board does not have an adequate control environment to ensure bank reconciliation outstanding items in excess of 180 days are researched and written off when necessary.
Effect:	The failure to research outstanding items on the cash reconciliations may allow errors and/or irregularities to exist without being identified and corrected. The information in the cash account was incorrectly communicated to management whose decisions making is reliant on fairly stated account balances.
Recommendation:	The School Board should implement an adequate control environment that includes written procedures and management monitoring to ensure the research or bank reconciliation outstanding items in excess of 180 days.
Management's Response:	All bank accounts are currently being reconciled on a monthly basis. To further improve the accuracy, efficiency and procedural control of bank reconciliations and other significant balance sheet accounts, the School Board has implemented several steps. A new detailed monthly closing schedule procedure has been developed and is in the process of being formulated in March 2007. This procedure details all the significant balance sheet accounts which require monthly reconciliation, outlines completion due dates, the employee responsible for completing, and those responsible for reviewing and approving the reconciliation. This monthly closing schedule provides for a much tighter close of the general ledger (11th work day) than the School Board has experienced in the past. In addition, written bank reconciliation procedures are being developed, and will outline the operational steps for resolving all stale items, including checks outstanding in excess of 180 days. Those procedures are expected to be finalized by April 30, 2007.

2006 - 4 Special Revenue Account Reconciliations

Criteria:	An adequate internal control structure would require the timely reconciliation of all special revenue general ledger accounts on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain any errors.
Condition:	Many account balances in several special revenue funds required several adjustments.
Cause:	Due to the absence of written procedures and inadequate management supervision, the School Board does not have an adequate control environment to ensure that all cash and general ledger accounts are reconciled on a monthly basis.
Effect:	The failure to properly reconcile special revenue accounts in a timely manner could result in errors and/or irregularities that may exist without being identified and corrected. The unadjusted balances in the special revenue general ledger were incorrect and, therefore, management and budgetary controls could not be performed effectively.
Recommendation:	The School Board should implement an adequate control environment that includes written procedures and management monitoring to ensure that all special revenue accounts are reconciled in a timely manner and reviewed by an appropriate supervisor. Written procedures should specifically identify employees to perform the reconciliations and the supervisor that is responsible for the review and approval.
Management's Response:	See Managements Response above in Issue # 3 regarding balance sheet reconciliations in general. The School Board is also developing written procedures to ensure that all Special Revenue accounts are reconciled in a timely manner by the Senior Accountant and approved by the Controller.

2006-5 Student Activity Funds

Criteria:	As of June 30, 2006 the School Board has not reconciled several student activity funds.
Condition:	The student activity funds are not being operated in compliance with state guidelines.
Cause:	Orleans Parish School Board is not effectively monitoring the student activity funds.
Effect:	The lack of adequate internal control relating to the accounts student activity funds could result in the School Board or school group's assets being misappropriated or not spent for its dedicated or restricted purpose.
Recommendation:	The School Board should implement adequate internal controls relating to the

student activity funds.

Management's Response: Student activity bank accounts were frozen after Hurricane Katrina. New control procedures have been implemented and are currently in the process of being refined and enhanced for these funds. The recently hired School Board Cash Manager has been assigned the responsibility for control and monitoring of the School Board's Student Activity Funds (SAF). The SAF's that belong to the open RSD schools have been transferred to their fiduciary control. Future SAF's will go to the RSD as their schools reopen. The SAF's for School Board charter schools have been transferred to them for their use and control. The SAF's for School Board controlled schools have been transferred to the school's principals. The School Board requires the SAF bank accounts for their own schools to be reconciled monthly by the school's business manager or delegate, and reviewed by the principals. The schools must forward completed reconciliations and activity reports to the School Board's Cash Manager on a monthly basis for reasonableness review and/or testing. All SAF's for the School Board's direct schools were recently audited by an independent accountant from the School Board's Finance Department for completeness. On an ongoing basis, the School Boards new Internal Audit (IA) function will be periodically auditing each of the SAF's at both the School Board's direct schools as well as their charter schools. Finally, written student activity procedures have been prepared and are in the process by being finalized and implemented. The written procedures should be issued by May 31, 2007.

There are many SAF's that remain frozen for schools that have not yet opened. Communication will be on going with the State Attorney General or possibly the State Legislature as to the disposition of those SAF's for schools that will never open due to Hurricane Katrina

2006-6 Segregation of Duties

Criteria: Adequate internal controls relating to receipts, bank deposits, and general ledger postings require that specific procedures be in place to ensure that receipts are properly accounted for and that there are no misappropriations of the School Board assets.

Condition: Incoming receipts are sometimes received, deposited and posted to the general ledger by the same employee.

Cause: Lack of segregation of duties in the receipts function of the School Board.

Effect: The lack of adequate internal controls relating to receipts could result in the School Board assets being misappropriated and/or the financial statements being materially misstated.

Recommendation: The School Board should implement adequate internal controls relating to the receipts function in the form of a segregation of duties. There needs to be management oversight to ensure that the School Board is complying with their policies and procedures and to ensure that the School Board assets are not misappropriated.

Management's
Response: To improve internal controls relating to the receipts function, the School Board has realigned the duties and responsibilities of the Cash Manager and the General Ledger Supervisor. Adequate internal controls now exist related to the receipts function.

2006-7 Timely Submission of Audit Report To Legislative Auditior

Criteria: Audit reports are required to be submitted to the Louisiana Legislative Auditor within six months of the fiscal year end.

Condition: The audit report was submitted to the Louisiana Legislative Auditor beyond the required six months following the fiscal year end.

Cause: The lack of a full accounting staff due to terminations following Hurricane Katrina did not allow the School Board to have all accounts reconciled in a timely manner.

Effect: The inability of the School Board to reconcile accounts in a timely manner resulted in the School Board audit being completed beyond the December 31, 2007 submission deadline.

Recommendation: It is recommended that the School Board hire a sufficient number of competent accountants and other professionals which will facilitate a timely reconciliation of account balances.

Management's
Response: The School Board is reconciling accounts on a timely basis which should allow for a more timely and efficient audit.

2006-8 Agreed Upon Procedures

Criteria: Agreed upon procedures applied to school board performance measures as included in the *Louisiana Governmental Audit Guide* are required to be performed by the independent auditor on an annual basis and an agreed upon procedures report documenting the results of the procedures is required to be submitted to the Louisiana Legislative Auditor.

Condition: The agreed upon procedures could not be completed due to the inability of the School Board to provide documentation to support the performance measures.

Cause: Documentation to support the performance measures could not be located by School Board staff due to its destruction in Hurricane Katrina and the termination of employees following Hurricane Katrina who had access to this information.

Effect: The failure of the School Board to provide performance measure documentation resulted in the inability of the independent auditors to perform agreed upon procedures.

Recommendation: It is recommended that the School Board access information and documentation which will allow for independent auditors to perform agreed upon procedures in the future.

Management's Response: The School Board is aware of the performance measures which require agreed upon procedure testing by independent auditors and has hired an accounting staff that can provide this information for the fiscal year ended June 30, 2007 and beyond.

C. Findings – Single Audit OMB Circular A-133 Findings and Questioned Costs

2006-9 Disbursement Support

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 10 expenditures tested for the program above, the supporting documentation in the form of a purchase order could not be located for two expenditures and supporting documentation in the form a receiving report could not be located for one expenditure.

Questioned Costs: None

Cause: The School Board failed to obtain and/or maintain proper documentation to support expenditures.

Effect: The School Board is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file in the School Board's accounts payable department.

Management's Response: Some of the School Board's records were either lost or misplaced as a result of Hurricane Katrina and its tumultuous aftermath. The School Board has begun efforts to improve documentation and processing controls that include the following: (a) hiring an Accounts Payable Supervisor; (b) conducting joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote a firm understanding that proper documentation must be submitted for purchases and to foster a solid understanding of the inter-relationships of functions provided by each department in the procurement process; (c) development and distribution of written payment processing procedures to accounts payable staff members; (d) provide accounts payable staff with proper training to ensure accurate, timely and consistent processing of vendor invoices, and (e) increased emphasis on maintaining the integrity of Accounts Payable files, to include file sign in-out procedures when copying information needed for special revenue reimbursement requests and auditing purposes.

2006-10 Suspension and Debarment

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria: In accordance with A-102 Common Rule, contractors receiving individual awards for $100,000 or more must certify that the organization and its principals are not suspended or debarred.

Condition: Certification documentation could not be provided as it related to contractors for procurements Title I.

Questioned Costs: Questioned costs, if any, cannot be determined.

Cause: Documentation on suspension and debarment certification could not be located.

Effect: The School Board is in violation of the provisions of A-102 Common Rule.

Recommendation: The Procurement Department should comply with the provisions of A-102 Common Rule.

Management's Response: During the period right after Hurricane Katrina several individuals were participating in the response and procurement process in an effort to obtain goods and services in an emergency environment, so it is likely some errors may have been made.

The Purchasing Department will increase it efforts and vigilance to insure every public bid package includes instructions with a clause concerning suspension and debarment and certification regarding suspension and debarment.

2006-11 Suspension and Debarment

Federal program and specific Federal award identification:

97.036 – Disaster Grants-Public Assistance Grants

Criteria: In accordance with A-102 Common Rule, contractors receiving individual awards for $100,000 or more must certify that the organization and its principals are not suspended or debarred.

Condition: Certification documentation was not obtained for contractors who provided emergency services following Hurricane Katrina.

Questioned Costs: Questioned costs, if any, cannot be determined.

Cause:	Suspension and debarment certification was not obtained due to the emergency situation following Hurricane Katrina.
Effect:	The School Board is in violation of the provisions of A-102 Common Rule.
Recommendation:	The Procurement Department should comply with the provisions of A-102 Common Rule.
Management's Response:	During the period right after Hurricane Katrina several individuals were participating in the response and the procurement process in an effort to obtain goods and services in an emergency environment so it is likely some mistakes may have been made. The Purchasing Department will increase it efforts and vigilance to insure every public bid package includes instructions with a clause concerning suspension and debarment and certification regarding suspension and debarment.

2006-12 Employee Certifications

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria:	OMB Circular A-87 requires that for employees working on a sole single Federal award, support in the form of periodic certifications be maintained which documents that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
Condition:	The School Board was unable to provide a pre-Hurricane Katrina staffing list to be used in the testing of teacher certifications. The School Board was unable to provide teacher certifications for 3 of 5 post-Hurricane Katrina instructors.
Questioned Costs:	None
Cause:	The School Board was unable to provide instructor certification documentation.
Effect:	The School Board is in violation of the provisions of OMB Circular A-87.
Recommendation:	The Program Director should comply with the provisions of OMB Circular A-87.
Management's Response:	The School Board is in the process of hiring a Grants Manager. This Grants Manager, with assistance from the Special Revenue Director, will develop written procedures to ensure that employee certifications will be completed by employees and reviewed and approved by their direct supervisors in a timely manner.

2006-13 Allocation of Title I Funds to Private Schools

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria: For programs funded under Title I, Part A, the grantee, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. The grantee must allocate Title I funds based upon eligible public school and private school students.

Condition: The School Board did not have meaningful consultation with private schools as it related to Title I funds and no Title I funds were allocated to private school children.

Questioned Costs: None

Cause: The School Board was unable to provide timely and meaningful consultation with private schools and allocate Title I funds to private school children due to Hurricane Katrina.

Effect: The School Board is in violation of the provisions of Title I, Part A.

Recommendation: The Program Director should comply with the provisions of Title I, Part A and set up processes whereby the School Board allocates the correct portion of Title I funds to eligible private school children.

Management's Response: The School Board will develop a process for the allocation of Title I, Part A funds to private schools. This process will include timely consultation with the private schools and will ensure that the allocations to private schools are correct and accurate.

2006-14 Impact Aide Disbursement Support

Federal program and specific Federal award identification:

84.938C – Hurricane Education Recovery Act Programs – Impact Aide

Criteria: Schools may use Emergency Impact Aide funds to provide instructional opportunities for displaced students who enroll in their schools and for expenses the recipient incurs in servicing those displaced students.

Condition:

- 1 of 10 (10.0%) check copies could not be located
- 2of 10 (20%) purchase orders and vendor invoices could not be located
- 1 of 10 (10.0%) invoices did not contain documentation of approval and cancellation
- 6 of 6 (100.0%) disbursements did not have supporting bid documentation or suspension and debarment certifications

Questioned Costs: Questioned costs, if any, cannot be determined

Cause: The School Board is not enforcing policies and procedures related to disbursement procedures. Bid documentation and suspension and debarment certification documentation maintained in administration building that received water and wind damage from Hurricane Katrina.

Effect: The School Board could possibly be in violation of the provisions of the Hurricane Education Recovery Act Program-Impact Aide if non-substantiated costs are submitted for grant reimbursement.

Recommendation: The Program Director should comply with the provisions of the Hurricane Education Recovery Act Program-Impact Aide and set up processes whereby the School Board management provides oversight to ensure that the School Board is complying with disbursement policies and procedures.

Management's Response: Some of the School Board's records were either lost or misplaced as a result of Hurricane Katrina and its ongoing impact as mentioned above. The School Board has begun implementing tighter controls to improve documentation and processing controls that include the following: (a) hiring an Accounts Payable Supervisor; (b) conducting joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote a firm understanding that proper documentation must be submitted for purchases and to foster a solid understanding of the inter-relationships of functions provided by each department in the procurement process; and (c) development and distribution of written payment processing procedures to accounts payable staff members. As such this will improve and aid in enforcing future issues related to disbursement.

2006-15 Restart Payroll and Human Resources

Federal program and specific Federal award identification:

84.938A – Hurricane Education Recovery Act Programs – Restart

Criteria: Adequate internal controls relating to payroll and human resources require that specific procedures be in place to ensure that payroll expenses are properly recorded and that proper documentation relating to payroll expenses and employee records are sufficiently maintained.

Condition: Based on the results of our haphazard sample of payroll transactions, the following exceptions were noted:

- 17 of 17 (100.0.%) of non-salaried employees did indicate sign out time on time record
- 2 of 20 (10.0%) personnel files could not be located
- 17 of 17 (100%) personnel files for non-salaried personnel did not contain documentation to support wage rates

Questioned Costs: Questioned costs, if any, cannot be determined

Cause: The School Board did not maintain an adequate control environment for the payroll and human resources departments due to a lack of management oversight. Also, adequate written policies and procedures did not exist during the audit period. Many files were destroyed or damaged by Hurricane Katrina, thus requested documentation could not be provided.

Effect: The School Board could possibly be in violation of the Hurricane Education Recovery Act Program if incorrect payroll expenditures are submitted for grant reimbursement. Also, the lack of adequate internal controls relating to the payroll and human resources departments significantly increases the risk that material errors and irregularities could exist and not be detected.

Recommendation: The School Board should develop written internal control procedures within the payroll and human resource departments to include a control environment with management monitoring the process to ensure that payroll and human resource personnel are complying with policies established by the School Board.

Management's Response: As correctly stated above, some School Board's records were lost or misplaced due to Hurricane Katrina and its tumultuous aftermath. Going forward the School Board has developed new and improved written internal control procedures for the payroll and human resources departments to include controls that will allow management to monitor the process to ensure that payroll and human resources personnel are complying with the policies established by the School Board.

EXHIBIT E

ORLEANS PARISH SCHOOL BOARD
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

General Overview by Management on the School Board's Accounting and Administrative Situation

As noted in prior years Audit Reports on Compliance and Internal Control, the School Board's System of Internal Controls and related processes, procedures and human resources were inadequate. These inadequacies compromised the safeguarding of assets and the ability to maintain accurate financial books and records. This situation also resulted in the outside auditors being unable to express an opinion on School Board's annual financial statements.

The School Board hired several consulting firms in 2004 and 2005 to rectify the situation; however this work resulted in only limited improvements. The situation was also hampered by the high turnover of finance and accounting personnel. In July 2005, the School Board hired the consulting and restructuring firm of Alvarez & Marsal (A&M) to provide financial advice and an objective review of the School Board's financial controls, policies and procedures. Specifically, A&M was hired to assess the School Board's existing financial condition and to implement effective financial systems, a restructured finance and accounting organization, and to develop policies and procedures that would improve the accuracy and timely compilation and presentation of financial information. A&M has been actively delivering services, including performing or assisting the School 's accounting and finance personnel perform their on-going duties, these past 18 months. These services include all the changes made necessary by Hurricane Katrina which occurred in late August, 2005.

The School Board's School System has changed substantially since Hurricane Katrina and the enactment of Act 35, which was passed by the Louisiana State Legislature in November, 2005. Act 35 transferred operational control of approximately 83% of the School Board's schools to the Louisiana State Department of Education's Recovery School District (RSD). The student population in the School Board controlled schools and School Board's charter schools has decreased from 63,000 students to approximately 9,400 students and the number of schools continuing to be under the Board's control was reduced from 122 to 18. During late 2005 and early 2006, the School Board re-opened 6 schools under its direct control (approximately 3,000 students at end of the fiscal year ended June 30, 2006, school year) and authorized the opening of 12 charter schools that had approximately 6,400 students at the end of the current fiscal year. Starting with the fiscal year ended June 30, 2007, 5 of these 12 charter schools were transferred to the control of RSD.

During 2006 and the first half of 2007 many new and or improved internal control processes and procedures have been developed and implemented which are providing a significant improvement to our internal controls, financial accounting and management reporting. The School Board has also implemented a new Financial Accounting, Human Resources and Payroll System from Tyler Technologies, Inc., Munis Division (Munis). The implementation of this new system started in April of 2006, with the Payroll and Human Resource modules added in July 2006. New Crystal Financial Reports using the Munis System accounting data were developed and tested during the last half of 2006. These management financial reports were implemented with January 2007 business. There are more control processes and procedures that are in the final stages of development and formalization as of the report date. The School Board's internal control environment should continue to improve once all of the new procedures and processes are formalized and fully understood and effectively implemented (including the new Munis accounting system) by both new and on-going School Board accounting and administrative employees.

The historic high turnover of the School Board's accounting and administrative staff has continued to hinder the School Board post Katrina. It has been even more difficult to find competent accounting, IT, HR and other administrative staff during 2006 and 2007 for either temporary or permanent employees. Some of the newly hired permanent School Board staff commenced working in January and February 2007. As of the report date, the School Board is still using some temporary accounting staff, including seven staff from Callaway Partners, which were hired on a temporary basis in December, 2007. As a consequence of the School Board's inadequate staffing, A&M resources had to assist in performing the on-going accounting and reporting work. Many of the new permanent staff have not yet been fully trained in the new control procedures and accounting processes that are currently in existence and those that are in the final stages of development. As soon as this training is completed for all new employees and they develop the necessary understanding and competence, additional significant improvements and efficiencies in the accounting processes should be forthcoming. It is the School Board's plans to have the A&M staff continue to transition their knowledge of the new processes and procedures to both School Board personnel and the temporary Callaway personnel during the first quarter of 2007. This knowledge transition and the completion of the final procedures by A&M and Callaway personnel should be completed by March 31, 2007. Most of the A&M staff will then roll off this assignment. The Callaway staff may continue on for a period after A&M's departure to continue assisting the School Board's staff with their on going accounting and administrative work and also to help them learn and re-enforce the new control processes and procedures.

Management's responses below for the fiscal year ended June 30, 2005 audit findings will not repeat the above general management overview and overall improvement plan, but it should be taken into consideration when reading management's response to each audit finding.

REFERENCE # AND TITLE: 2005-1 Payroll and Human Resources

MANAGEMENT'S RESPONSE:

To improve the accuracy, efficiency and procedural control of payroll and human resources, the School Board replaced the Oracle payroll application and the post Katrina interim ADP payroll process with a new payroll system from the Tyler Technologies, Inc., Munis Division, effective July 1, 2006. The HR and Payroll staff have received training on the operation of the Munis Payroll application. As part of this new payroll system, new HR and payroll control and processing procedures have been developed, documented and implemented. A new hiring and budget control process, called Position Control, was implemented as part of this new system, and extensive training and re-training has occurred with new and on-going HR and payroll employees. A new HR Director was hired in late January 2007, and his training in the new HR control systems and procedures are in process.

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-2 Accounts Payable and Accrued Expenses/Disbursements

MANAGEMENT'S RESPONSE:

To improve the accuracy, efficiency and procedural control of the accounts payable, the School Board replaced the Oracle Accounts Payable application with a new Accounts Payable application that is part of the new Munis accounting system. The Accounts Payable staff, including new temporary and permanent staff hired in the Fall and Winter of 2006-07, has received training on the operation of the Munis accounts payable application and the School Board is currently utilizing the system. As part of the new Munis accounting system, new accounts payable control and processing procedures were developed, and implemented: however, the School Board has been refining the process as it gains more experience with the Munis system. These new refined procedures are currently being formalized and with full implementation and training expected by March 31, 2007.

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-3 Reconciliations

MANAGEMENT'S RESPONSE:

All cash accounts and selected asset and liability accounts are currently being reconciled on a monthly basis. A new detailed monthly closing schedule procedure has been developed and is in the process of being implemented as of February 2007. This procedure details all the significant asset and liability accounts that need monthly reconciliations, outlines completion due dates, the employee responsible for completing, and those responsible for checking and approving the reconciliation. This closing schedule provides for a much tighter close of the general ledger (11^{th} workday) than the School Board has experienced in the past and implementation is starting with January 2007 business. The School Board will have it fully implemented with the closing of March 2007 general ledger.

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Anticipated completion date: April 2007

REFERENCE # AND TITLE: 2005-4 Interim Financial Reporting and Budget Monitoring

MANAGEMENT'S RESPONSE:

The School Board's finance team, including A&M, has been preparing interim bi-weekly cash flow financial reports for its Board Members and the Louisiana Department of Education since November 2005. The implementation of the new Munis accounting system started in April 2006. The implementation of the Munis payroll module started in July 2006. The following Munis/Crystal financial reports have been in development and tested during the last half of 2006: Balance Sheet; Month and Year-To-Date Revenue and Expenditure Reports comparing actual balances and encumbrances to the budget; Cash Flow Reports; Cash Flow Forecast Reports. These financial reports have been implemented starting with January 2007 activity. These reports will be presented to the School Board's management and to the Board and its Budget and Finance Committee on a monthly basis on the dates outlined in the new Monthly Closing Schedule that is also in the process of being implemented starting with January 2007 business. The complete implementation of this tighter Monthly Closing Schedule will occur in April 2007 with the closing of the March 2007 general ledger. These new financial reports will give the School Board's management and the Board full, timely and accurate disclosure of the School Board's finances and financial activity

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Anticipated completion date: April 2007

REFERENCE # AND TITLE: 2005-5 Fixed Assets

MANAGEMENT'S RESPONSE:

The School Board's fixed asset records in the past have been inadequate, which in part, have caused our outside auditors to disclaim an opinion on the School Board's financial statements. Hurricane Katrina also caused a significant portion of the School Board's fixed assets to be destroyed or damaged. The School Board hired American Appraisal Associates (AAA) to inventory and re-value its assets. The AAA asset re-valuation was necessary due to the School Board's inadequate fixed asset records and the need to assess hurricane damage to the School Board fixed assets assets. The fixed asset inventory and re-valuation, and the assessment of contents damage was completed in February 2007. The new Munis accounting system includes a fixed asset accounting and management information module. The new fixed asset information developed by AAA, along with new fixed asset purchases during the fiscal years ended June 30, 2006 and 2007, will be input into this new system in February or March 2007. In addition the fixed asset impairments and contents damages due to Hurricane Katrina will also be adjusted in the detail fixed asset system as well as the general ledger. The general ledger Fixed Asset Fund (Fund 47) will be kept in sync with the detail records in the Munis Fixed Asset Module. Our new monthly closing schedule requires that our fixed asset records in our Capital Projects Funds (Funds 20-22) and our Fixed Asset Fund will be reconciled monthly with the detail records in the Munis Detail Fixed Asset Module. The Munis Fixed Asset Module is integrated with the Munis Purchase Orders and Accounts Payable system so the control of our future fixed asset accounting will be significantly improved. A new permanent employee has been recently hired to perform the fixed asset accounting. This new employee will receive training in the Munis Fixed Asset Module and the accounting procedures related to it. She will also assist with loading the new AAA data into the system. The School Board believes that the new system and control procedures should correct the past deficiencies in the School Board's Fixed Asset Accounting.

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-6 Internal Audit Function

MANAGEMENT'S RESPONSE:

Since the size of the School Board has decreased significantly due to previously mentioned Hurricane Katrina and the passage of Act 35, A&M has recommended that the internal audit function be outsourced. The School Board hired Callaway Partners in December 2006 to do an Internal Audit Diagnostic to formulate and formalize what would be required of an effective outsourced internal audit function. The School Board will then use this information to prepare a Request for Proposal (RFP). This RFP will then be put out for bid in late March or early April 2007. Proposals will then be evaluated and a vendor will be selected and presented to the Board for approval. The School Board anticipates having this selection process completed and presented to the Board at their May 2007 meeting. The School Board intends to have some internal audit procedures performed in June of 2007 before the fiscal year close at June 30 2007 of the general ledger.

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Anticipated completion date: April 30, 2007

REFERENCE # AND TITLE: 2005-7 Budget, Finance and Accounting Department Staffing

MANAGEMENT'S RESPONSE:

A&M made recommendations for a restructured accounting and finance organization. In addition A&M assisted the School Board in finding qualified accounting and financial personnel. Due to the devastation caused to the City of New Orleans by Hurricane Katrina, many residents, who may have been qualified accountants, have not returned to the City. It has been extremely difficult to find qualified personnel to staff the re-structured finance organization. The School Board did hire a new Controller prior to the hurricane and he is still employed by the School Board in that capacity. After a nine month search, the School Board hired a new Chief Financial Officer, who began in August 2007. The search continued for the remaining open positions, which were being filled by temporary personnel or A&M personnel and later by Callaway Partners staff as was previously mentioned above. The remaining permanent positions were filled in January 2007, some by previous temporary personnel and some by new personnel. Now that the School Board has a full compliment of accounting and finance staff, transitioning from the A&M staff and the Callaway staff will continue in the first quarter of 2007.

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-8 General Ledger Chart of Accounts

MANAGEMENT'S RESPONSE:

The chart of accounts used by the School Board is based upon the structure prescribed by the Louisiana Department of Education in its Louisiana Accounting and Uniform Governmental Handbook. To improve the accuracy, efficiency and procedural control over the general ledger the School Board has replaced the Oracle General Ledger application and implemented a new general ledger application from the Tyler Technologies, Inc., Munis Division. This implementation, which went live on April 1, 2006, has reduced the general ledger chart of accounts from over 60,000 accounts to under 3,500 accounts. Also, see Management's Responses under Issues 2, 3, and 4 above regarding the School Board's new monthly closing and account reconciliation schedule.

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-9 Proper Interfund Transactions and Identification of Proper Fund

MANAGEMENT'S RESPONSE:

As reported by the School Board's auditors, the interfund accounts in all the School Board individual funds had not been properly reconciled and controlled during the past years. Due to this deficiency, the School Board adjusted all of the individual funds interfund accounts at June 30, 2006 to agree with the General Fund's interfund accounts and in the future, only the General Fund can have interfund transactions and balances with each of the School Board's other funds. This policy will make it more efficient to reconcile and control the interfund accounts in the future. In addition, to improve the accuracy, efficiency and procedural control over interfund accounting transactions, the School Board has replaced the Oracle General Ledger application and implemented a new general ledger application from the Tyler Technologies, Inc., Munis Division. This new Munis accounting system integrates all of system modules: General Ledger, Payroll, Purchase Orders and Accounts Payable. This integration, along with new accounting and internal control procedures and processes, will improve the interfund accounting. The School Board's interfund accounts are balanced at June 30, 2006 and January 31, 2007.

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Anticipated completion date: Completed

REFERENCE # AND TITLE: 2005-10 Student Activity Funds

MANAGEMENT'S RESPONSE:

Student activity bank accounts were frozen after Hurricane Katrina. New control procedures have been implemented and are currently in the process of being refined and enhanced for these funds. An experienced, newly hired accountant has been assigned the responsibility for control and monitoring of the School Board's Student Activity Funds (SAF). The SAF's that belong to the open RSD schools have been transferred to their fiduciary control. Future SAF's will transfer to the RSD as their schools open up. The SAF's for the School Board's Charter Schools have been transferred to them for their use and control. The SAF's for School Board direct schools have been transferred to the school's principals. The School Board requires the SAF's bank accounts for their own schools to be reconciled monthly by the school's business manager or delegate. Copies of the SAF's bank statements and monthly summary of receipts and expenditures reports are being submitted to the School Board's accounting staff and are being reviewed for reasonableness and/or testing. If any unusual transactions or reconciliations appear with the monthly report, explanations from the school are required and/or on-sight audit testing may be performed. After the School Board's Internal Audit (IA) program is implemented as outlined in Issue #6 above, internal auditors will be auditing each of the SAF's, including both the School Board's direct schools as well as their Charter Schools, on a periodic basis. There are many SAF's that remain frozen for schools that have not yet opened. Communication will be on going with the State Attorney General or possibly the State Legislature as to the disposition of those SAF's for schools that will never open due to Hurricane Katrina.

Person responsible for corrective action:

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Anticipated completion date: March 31, 2007

REFERENCE # AND TITLE: 2005-11 Payroll Liabilities/Payroll Expenditures

MANAGEMENT'S RESPONSE:

To improve the accuracy, efficiency and procedural control of payroll the School Board has replaced the Oracle payroll application and has implemented a new payroll application from the Tyler Technologies, Inc., Munis Division. The School Board's staff has been trained on the proper procedures and payments of the payroll liabilities. The School Board has also reduced the number of authorized deductions from over 200 to less than twenty-five. This will allow sufficient time to reconcile each payroll liability account. Also see Management's Responses under Issues 2, 3, and 4 above regarding the School Board's new monthly closing and account reconciliation schedule.

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Anticipated completion date: March 31, 2007