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**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

Basic Financial Statements  
For the Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/6/05

**Melvin L. Davis**  
**Certified Public Accountant**

(A Limited Liability Company)

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

Basic Financial Statements  
For the Year Ended June 30, 2004

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**Melvin L. Davis**  
**Certified Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT**

The City of Baker School Board  
Baker, Louisiana

Board Members and Superintendent:

I was engaged to audit the accompanying financial statements of the City of Baker School Board as of and for the year ended June 30, 2004, which collectively comprise the City of Baker School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker School Board's management.

The basic accounting and reporting systems for fixed assets, cash receipts/revenues, and cash disbursements/expenditures, were not effective during the year ended June 30, 2004 and resulted in inadequate accounting records. The magnitude of the transactions was such that subsequent reconciliation and adjustment was not sufficient to provide competent evidential matter for the audit.

The failure to document journal entries, carry forward accurate beginning balances to a new financial accounting system, prepare complete and accurate bank reconciliations, analyze certain general ledger accounts such as interfund receivable and payables and payroll withholding accounts for the year ended June 30, 2004. As a result, the accuracy and appropriateness of these transactions and balances cannot be determined.

Because of the significance of the matters described above, and since the scope of the work was not sufficient, I was unable to express and I do not express, an opinion on the School Board's basic financial statements as listed in the table of contents.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 24, 2005, on my consideration of the City of Baker School Board's internal control over financial reporting and my 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 my audit.

The management's discussion and analysis, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it. The City of Baker School has not presented the budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

The accompanying supplementary information consisting of the combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. I did not audit the information and I express no opinion on it.

*Melvin L. Davis, CPA, LLC*

Baton Rouge, Louisiana  
March 24, 2005

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

As management of the City of Baker School Board (School Board) we offer readers of the School Board's financial statements this narrative overview and analysis of the financial activities of the School Board for the fiscal year ended June 30, 2004. The emphasis of discussions about these statements will be on current year data.

**Financial Highlights**

- The School Board's revenues exceeded its expenditures in the General Fund by \$1,311,254, which resulted in the School Board reporting a fund balance of \$1,336,254 at June 30, 2004. This occurred mainly because of various unanticipated expenditures during the fiscal year.
- The fund balance of the combined special revenue funds increased by \$154,063 during the year ended June 30, 2004.
- The City of Baker School Board total debt decreased by \$460,343 (23.7%) during the current fiscal year.

**Overview of the Financial Statements**

*This discussion and analysis is intended to serve as an introduction to the School Board's basic financial statements. The School Board's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.*

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School Board is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Board are categorized as governmental funds.

*Governmental funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School Board maintains twenty-five individual governmental fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data for the other twenty-four governmental fund groups, all within the special revenue fund are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The School Board adopts a combined annual budget for its general fund and special revenue funds. Because the budgets were combined, the School Board was unable to present budgetary comparison schedules to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 - 17 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for assets held by the city of Baker School Board on behalf of students and other in a position of trust. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Baker School Board's programs. The School Board's fiduciary funds consist of the Student Activity Accounts maintained at the schools and the Payroll Fund, which accounts for voluntary and mandatory payroll withholdings.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 28 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. *In the case of the School Board, assets exceeded liabilities by \$1,354,240 at the close of the 2004 fiscal year.*

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

The following is a summary of the School Board's net assets:

<b>CITY OF BAKER SCHOOL BOARD</b>	
<i>Net Assets</i>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 791,678
Cash with fiscal agents	310,530
Receivables	394,345
Inventory	9,407
Capital assets (net of accumulated depreciation):	
Land	149,536
Infrastructure	1,468
Buildings and Improvements	1,363,859
Furniture and equipment	<u>261,601</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,282,424</u></b>
<b>LIABILITIES</b>	
Accounts, salaries, and other payables	\$ 54,778
Long-term liabilities:	
Due within one year	721,110
Due in more than one year	<u>1,152,296</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,928,184</u></b>
<b>NET ASSETS</b>	
<i>Invested in capital assets, net of related debt</i>	1,776,464
Restricted for:	
Other purposes	154,063
Unrestricted	<u>(576,287)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,354,240</u></b>

By far the largest portion of the School Board's net assets reflects its investment in capital assets (e.g., land, infrastructures, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the School Board's net assets represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the School Board is able to report positive balances in two of the three categories of net assets.

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

The following is a summary of the School Board's changes in net assets:

**CITY OF BAKER SCHOOL BOARD  
Changes in Net Assets**

	Governmental Activities 2004
	2004
Revenues:	
Charges for services	\$ 81,101
Operating grants and contributions	2,526,664
General revenues:	
Ad Valorem taxes	1,006,039
Sales and use taxes	2,499,377
Minimum Foundation Program	10,291,154
Others	282,533
Total revenues	16,686,868
Expenses:	
Instruction:	
Regular programs	5,671,260
Special education programs	961,350
Vocational programs	232,093
Other instructional programs	16,314
Special programs	931,307
Support services:	
Pupil support services	783,484
Instructional staff support	652,211
General administration	1,192,684
School administration	940,979
Business services	212,905
Plant services	1,803,757
Student transportation services	418,003
Central services	586,210
Food services	713,513
Interest on long-term debt	78,022
Depreciation - unallocated	242,563
Total expenses	15,436,655
Increase in net asset	1,250,213
Net assets, beginning of year, as restated	104,027
Net assets, end of year	\$ 1,354,240

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2004**

**Capital Asset and Debt Administration**

**Capital assets.** The School Board's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$1,776,464 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, and furniture and equipment. The total increase in the School Board's investment in capital assets for the current fiscal year was \$1,753,931 for the governmental activities. The increase is attributable to the transfer of capital assets of the five schools from the East Baton Rouge Parish School Board to the City of Baker School Board on July 1, 2003.

**CITY OF BAKER SCHOOL BOARD'S  
Capital Assets (Net of depreciation)**

Land	\$ 149,536
Infrastructure	1,468
Buildings and improvements	1,363,859
Furniture and equipment	<u>261,601</u>
Total	<u>\$ 1,776,464</u>

Additional information on the School Board's capital assets can be found in note 5 on page 24 of this report.

**Long-term debt.** At the end of the current fiscal year, the School Board had total debt outstanding of \$1,479,657, all of which is backed by the full faith and credit of the City of Baker School Board. This represents a decrease of \$460,343 (23.7%) during the current fiscal year. The key factor in this decrease was the liquidation of current principal payments due during the year ended June 30, 2004.

**Request for Information**

This financial report is designed to provide a general overview of the City of Baker School Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Keith Johnson, Director of Support Services, City of Baker School System, Post Office Box 680, Baker, Louisiana 70704-0680.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Statement of Net Assets**  
**June 30, 2004**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 791,678
Cash with fiscal agents	310,530
Receivables	394,345
Inventory	9,407
Capital assets (net of accumulated depreciation):	
Land	149,536
Infrastructure	1,468
Buildings and Improvements	1,363,859
Furniture and equipment	<u>261,601</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,282,424</b>
<b>LIABILITIES</b>	
Accounts, salaries, and other payables	\$ 54,778
Long-term liabilities:	
Due within one year	721,110
Due in more than one year	<u>1,152,296</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,928,184</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,776,464
Restricted for:	
Other purposes	154,063
Unrestricted	<u>(576,287)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,354,240</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
<b>FUNCTIONS/PROGRAMS</b>			
Governmental activities:			
Instruction:			
Regular programs	\$ 5,671,260		\$ (5,394,531)
Special programs	961,350		(732,210)
Vocational programs	232,093		(213,080)
Other instructional programs	16,314		(1,250)
Special programs	931,307		(34,445)
Support services:			
Pupil support services	783,484		(781,595)
Instructional staff support	652,211		(383,111)
General administration	1,192,684		(1,140,124)
School administration	940,979		(940,979)
Business services	212,905		(191,014)
Plant services	1,803,757		(1,801,713)
Student transportation services	418,003		(412,746)
Central services	586,210		(538,363)
Food services	713,513	\$ 81,101	56,856
Community service programs			-
Facility acquisition and construction			-
Debt service:			
Interest on long-term debt	78,022		(78,022)
Legal services			-
Depreciation - unallocated	242,563		(242,563)
<b>Total Governmental Activities</b>	<b>\$ 15,436,655</b>	<b>\$ 81,101</b>	<b>\$ 2,526,664</b>
<b>General Revenues:</b>			
Taxes:			
Property taxes			1,006,039
Sales and use taxes			2,499,377
State revenue sharing			
Grants and contributions not restricted to specific purposes:			
Minimum Foundation Program			10,291,154
Interest and investment earnings			22,801
Miscellaneous			259,732
<b>Total General Revenues</b>			<b>14,079,103</b>
Change in Net Assets			1,250,213
Net Assets - July 1, 2003			104,027
Net Assets - June 30, 2004			<b>\$ 1,354,240</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**June 30, 2004**

	General Fund	Non-Major Special Revenue Funds		Total
		Other Governmental Funds		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,166,803	\$ (375,125)	\$	791,678
Cash with fiscal agents	310,530			310,530
Receivables	394,079	266		394,345
Interfund accounts receivable		519,678		519,678
Inventory		9,407		9,407
<b>TOTAL ASSETS</b>	<b>\$ 1,871,412</b>	<b>\$ 154,226</b>	<b>\$</b>	<b>2,025,638</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts, salaries, and other payables	\$ 54,615	\$ 163	\$	54,778
Interfund payables	480,543			480,543
<b>TOTAL LIABILITIES</b>	<b>535,158</b>	<b>163</b>		<b>535,321</b>
Fund balances:				
Unreserved:				
Designated for:				
General Fund	1,336,254			1,336,254
Special Revenue Fund		154,063		154,063
<b>TOTAL FUND BALANCES</b>	<b>1,336,254</b>	<b>154,063</b>		<b>1,490,317</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,871,412</b>	<b>\$ 154,226</b>	<b>\$</b>	<b>2,025,638</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2004**

Statement D

<b>Total Fund Balances at June 30, 2004 - Governmental Funds</b>		<b>\$ 1,490,317</b>
Cost of capital assets at June 30, 2004	\$ 8,563,874	
Less: Accumulated Depreciation as of June 30, 2004:		
Infrastructure	(728,290)	
Buildings and improvements	(4,717,401)	
Furniture and equipment	<u>(1,341,719)</u>	1,776,464
Elimination of interfund assets and liabilities:		
Due from other funds	(519,678)	
Due to other funds	<u>480,543</u>	(39,135)
Long-term liabilities at June 30, 2004:		
Compensated absences payable	(393,749)	
Intergovernmental loan payable	(369,657)	
Revenue Bonds, Series 2002, bonds payable	<u>(1,110,000)</u>	<u>(1,873,406)</u>
<b>Net Assets at June 30, 2004 - Governmental Activities</b>		<b><u><u>\$ 1,354,240</u></u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	General Fund	Non-Major Special Revenue Funds	Total
		Other Governmental Funds	
<b>REVENUES</b>			
Local sources:			
Taxes:			
Ad valorem	\$ 1,006,039		\$ 1,006,039
Sales and use	2,499,377		2,499,377
Interest earnings	22,801		22,801
Charges for services		\$ 81,101	81,101
Other	256,723	14,269	270,992
State sources:			
Minimum Foundation Program	10,291,154		10,291,154
Professional Improvement Program	51,580		51,580
State contribution for teacher retirement	5,549		5,549
Restricted grants-in-aid	10,205	215,534	225,739
Federal grants		2,245,077	2,245,077
Total revenues	14,143,428	2,555,981	16,699,409
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular programs	5,246,802	276,731	5,523,533
Special programs	707,169	229,139	936,308
Vocational programs	207,033	19,014	226,047
Other instructional program	825	15,064	15,889
Special program	10,185	896,863	907,048
Support services:			
Pupil support services	761,187	1,889	763,076
Instructional staff support	366,123	269,099	635,222
General administration	1,109,058	52,559	1,161,617
School administration	916,468		916,468
Business services	185,468	21,891	207,359
Plant services	1,754,728	2,044	1,756,772
Student transportation services	401,858	5,257	407,115
Central services	523,093	47,847	570,940
School food services	5,658	689,269	694,927
Community service programs			-
Capital outlay			-
Debt service:			
Principal retirement	430,000		430,000
Legal services			-
Interest	78,022		78,022
Total expenditures	12,703,677	2,526,666	15,230,343

(Continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	General Fund	Non-Major Special Revenue Funds	Total
		Other Governmental Funds	
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,439,751</b>	<b>\$ 29,315</b>	<b>\$ 1,469,066</b>
<b>OTHER FINANCING SOURCES (Uses):</b>			
Operating transfers in	309,595	185,141	494,736
Operating transfers out	(438,092)	(60,393)	(498,485)
Total other financing sources (uses)	(128,497)	124,748	(3,749)
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,311,254</b>	<b>154,063</b>	<b>1,465,317</b>
<b>FUND BALANCES - JULY 1, 2003, as restated</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>
<b>FUND BALANCES - JUNE 30, 2004</b>	<b>\$ 1,336,254</b>	<b>\$ 154,063</b>	<b>\$ 1,490,317</b>

(Concluded)

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2004**

**Net change in fund balances - governmental funds (Statement E)** **\$ 1,465,317**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period:

Depreciation expense	\$ (242,563)	
Capital outlays	<u>          -</u>	
Net adjustment		(242,563)

Because of some apparent posting errors interfund receivable exceeded interfund payable by \$39,135		(39,135)
-----------------------------------------------------------------------------------------------------	--	----------

Certificates of indebtedness proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the long-term liabilities in the statement of net assets.

Repayment:		
Intergovernmental loan principal	\$ 30,343	
Revenue Anticipation Note - Series 2002 principal	90,000	
Revenue bonds - Series 2002 principal	<u>340,000</u>	
Combined adjustment		460,343

In the Statement of Activities, certain operating expenses - compensated absences (vacation and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time transferred from other governmental entities and earned exceeded the amounts used by \$393,749.		<u>(393,749)</u>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	------------------

**Change in net assets of governmental activities (Statement B)** **\$ 1,250,213**

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Statement of Fiduciary Net Assets**  
**June 30, 2004**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 283,457
Accounts receivable	608
Interfund accounts receivable	197,621
<b>TOTAL ASSETS</b>	<b>\$ 481,686</b>
 <b>LIABILITIES</b>	
Accounts, salaries, and other payables	\$ (50,057)
Deposits held for schools	283,457
Payroll withholding payable	248,286
<b>TOTAL LIABILITIES</b>	<b>\$ 481,686</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004

**INTRODUCTION**

The City of Baker School Board was created by Louisiana Revised Statute (R.S.) 17:51 to provide public education for the children within City of Baker. The school board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of five (5) members who are elected from five (5) districts for terms of four years.

The School Board will operate three elementary, one middle, and one high school. Student enrollment as of October 2003 was approximately 2,250. The School Board employs approximately 290 persons, approximately 150 of whom are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, bus transportation, and food service. In addition, the School Board provides transportation and school food services for the students.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the City of Baker School Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

**B. REPORTING ENTITY**

GASB Statement No. 14, *The Reporting Entity*, established 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 no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board has a significant relationship.

**C. FUNDS**

The School Board uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain school board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

## CITY OF BAKER SCHOOL BOARD

Baker, Louisiana

Notes to the Financial Statements

Funds of the School Board are classified into one category, governmental, as follows:

### Governmental Funds

Governmental funds account for all or most of the School Board's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the School Board. Presently, all governmental funds of the school board are accounted for in the General Fund, as following:

**General Fund** - the primary operating fund of the School Board and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to School Board policy.

**Special revenue funds** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, or designated by the School Board to be accounted for separately.

**Fiduciary funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The only fund accounted for in this category by the School Board is the agency fund. The School Board employs two separate agency funds, one fund accounts for the transactions of the student activity accounts maintained at the schools, and another to account for voluntary and mandatory payroll withholdings.

## D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

### Government-wide Financial Statements (GWFS)

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the School Board.

The GWFS were 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 nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the School Board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the school board's general revenues.

**Allocation of Indirect Expenses** - The School Board reports all direct expenses by function in the Statement of Activities (Statement B). 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

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana  
Notes to the Financial Statements

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.

**Fund Financial Statements (FFS)**

**Governmental funds** are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the school board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School Board considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

Federal and state entitlements (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid when available and measurable. Expenditure-driven federal and state grants are recorded as restricted grants-in-aid when the reimbursable expenditures have been incurred.

Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year. Effective July 1, 2003, the School Board levied property taxes at 38.20 mills for a period of 10 years as authorized in a special election held on November 20, 1999. The taxes provides additional support to the school system including paying salaries and benefits of school personnel and other costs of maintaining and operating such a system.

Sales and use tax revenues are recorded in the month collected by the tax collector. Effective July 1, 2003, the School Board began collecting a 2% city-wide sales and use tax as authorized in a special election held on November 20, 1999, to be used to pay salaries and benefits of school personnel and other costs of maintaining and operating its school system.

Interest earnings are recorded when the investments have matured and the interest is available.

Revenues from rentals, leases, and oil royalties are recorded when earned.

## **CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statements

Substantially all other revenues are recorded when received.

### **Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Costs of accumulated unpaid annual, sick leave and other employee benefits 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.

### **Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

## **E. BUDGETS AND BUDGETARY ACCOUNTING**

The School Board is required by state laws to adopt an annual budget for its general fund and each special revenue fund. The proposed budget for the fiscal year 2004 combined the general fund and all of the special revenue funds, which is in noncompliance with the Local Government Budget Act.

The budget is prepared on the modified accrual basis of accounting. Unencumbered appropriations in the General Fund lapse at the end of the fiscal year. Encumbered appropriations at year end that have been approved by the School 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 School Board. Legally, the School 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.

## **F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the School Board may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

## **G. INVESTMENTS**

Investments are limited by R.S. 33:2955 and the School Board's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value.

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana  
Notes to the Financial Statements

**H. RECEIVABLES**

Receivables are recorded net of any allowance for uncollectible amounts in governmental activities. Revenues become susceptible to accrual when they become both measurable and available.

**I. INVENTORIES**

Inventory of the Child Nutrition Program Special Revenue Fund consists of food 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 cost. Costs are recorded as expenditures at the time individual items are consumed (consumption method). Commodities are assigned values based on information provided by the USDA.

**J. CAPITAL ASSETS**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Capital assets are recorded in the GWFS, but are not reported in the FFS. 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. All capital assets, other than land, are depreciated using the straight-line method. Useful lives are estimated to be from 5 to 10 years for furniture and equipment, 15 years for infrastructure, and 40 years for buildings and improvements.

**K. COMPENSATED ABSENCES**

All twelve (12) month full-time employees earn annual leave at the rate of ten (10) days per year. Upon retirement or termination of employment, the employee may choose to be paid for any unused accumulated annual leave days at his/her current daily rate of pay, or convert such unused accumulated annual leave to service credit for retirement purposes, in which case such conversion shall be governed by applicable statutes and/or rules and regulations of the respective retirement system.

All employees hired for the school year or longer shall be granted a minimum of ten (10) days of sick leave per year because of personal illness or other emergencies without loss of pay. Such leave, when not used, shall be allowed to accumulate to the credit of the employee without limitation. Upon retirement or death, the school board shall pay the employee or his/her heirs or assigns, for any unused sick leave, not to exceed twenty-five (25) days. Such pay shall be at the daily rate of pay paid to the employee at the time of his/her retirement or death.

Sabbatical leave may be granted for the purpose of professional or cultural or for medical leave.

**L. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements

**M. ESTIMATES**

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

**2. LEVIED TAXES**

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration</u>
Citywide taxes:			
Constitutional Tax	5.00	5.00	Not Applicable
Special School Maintenance Tax	38.20	38.20	2009

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no allowance for uncollectible taxes.

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the school board has cash and cash equivalents (book balances) totaling \$1,199,707, which is in an interest-bearing demand account.

Demand deposits	\$ 157,850
Interest-bearing demand deposits	<u>1,041,857</u>
Total	<u>\$ 1,199,707</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the school board has \$2,635,765 in deposits (collected bank balances). These deposits are secured from risk by \$482,548 of federal deposit insurance and \$2,566,467 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the school board that the fiscal agent has failed to pay deposited funds upon demand.

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements

**4. INVESTMENTS**

Included in "Cash with Fiscal Agents" the School Board had investments of \$186,057 in the Louisiana Asset Management Pool (LAMP), a local government investment pool at June 30, 2004. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

**5. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2004, is as follows:

	Land	Infrastructure	Buildings and Improvements	Furniture and Equipment	Total
Cost at June 30, 2003	\$ -	\$ -	\$ -	\$ 27,368	\$ 27,368
Adjustment - Transferred from EBRPSS	149,536	729,758	6,081,260	1,575,952	8,536,506
Additions	-	-	-	-	-
Deletions	-	-	-	-	-
Cost at June 30, 2004	<u>149,536</u>	<u>729,758</u>	<u>6,081,260</u>	<u>1,603,320</u>	<u>8,563,874</u>
Accumulated depreciation, June 30, 2003	-	-	-	4,835	4,835
Adjustment - Transferred from EBRPSS	-	725,358	4,593,958	1,220,696	6,540,012
Additions	-	2,932	123,443	116,188	242,563
Deductions	-	-	-	-	-
Accumulated depreciation, June 30, 2004	<u>-</u>	<u>728,290</u>	<u>4,717,401</u>	<u>1,341,719</u>	<u>6,787,410</u>
Capital assets, net of accumulated depreciation, at June 30, 2004	<u>\$ 149,536</u>	<u>\$ 1,468</u>	<u>\$ 1,363,859</u>	<u>\$ 261,601</u>	<u>\$ 1,776,464</u>

Depreciation expense of \$242,563 for the year ended June 30, 2004, was unallocated.

**6. RETIREMENT SYSTEMS**

Substantially all employees of the school board are members of two statewide retirement systems. In general, professional employees (such as teachers and principals) and lunchroom workers are members of the Teachers' Retirement System of Louisiana; other employees, such as custodial personnel and bus drivers, are members of the Louisiana School Employees' Retirement System. These systems are cost-

## **CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statements

sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

### **A. Teachers' Retirement System of Louisiana (TRS)**

*Plan Description.* The TRS consists of three membership plans: Regular Plan, Plan A, and Plan B. The TRS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

*Funding Policy.* Plan members are required to contribute 8.0%, 9.1%, and 5.0% of their annual covered salary for the Regular Plan, Plan A, and Plan B, respectively. The school board is required to contribute at an actuarially determined rate. The current rate is 13.8% of annual covered payroll for all three membership plans. Member contributions and employer contributions for the TRS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The school board's employer contribution for the TRS, as provided by state law, is funded by the State of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by remittances from the school board.

The school board's contributions to the TRS for the year ending June 30, 2004 and 2003, were \$1,006,707 and \$38,775, respectively, equal to the required contributions for the year.

### **B. Louisiana State Employees' Retirement System (LASERS)**

*Plan Description.* The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44513, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

*Funding Policy.* Plan members are required to contribute 7.5% of their annual covered salary and the school board is required to contribute at an actuarially determined rate. The current rate is 14.1% of annual covered payroll. Member contributions and employer contributions for the LASERS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The school board's employer contribution for the LASERS is funded by the State of Louisiana through annual appropriations.

The school board's contributions to the LASERS for the year ending June 30, 2004 and 2003, were \$13,664 and \$3,411, respectively, equal to the required contributions for the year.

### **C. Louisiana School Employees' Retirement System (LSERS)**

*Plan Description.* The LSERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary

**CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statements

information for the LSERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804, or by calling (225) 925-6484.

*Funding Policy.* Plan members are required to contribute 7.5% of their annual covered salary and the School Board is required to contribute at an actuarially determined rate. The current rate is 8.5% of annual covered payroll. Member contributions and employer contributions for the LSERS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's employer contribution for the LSERS is funded by the State of Louisiana through annual appropriations.

The School Board's contributions to the LSERS for the year ended June 30, 2004 was \$40,413. The School Board did not have any employees covered under the LSERS for the year ended June 30, 2003.

**7. LEASES**

**Operating Leases**

The School Board leases various items of janitorial equipment, school buses, and office space under lease agreements which are subject to annual reappropriation clauses. Generally, as equipment leases expire, they are replaced with other leases.

Rent expenses for the year ended June 30, 2004 totaled \$64,073.

**Capital Leases**

During the year ended June 30, 2004, the School Board entered into a capital lease agreement for the purchase of educational software. The original amount of the obligation was \$187,520 and bears an interest rate of 4.890%. Future minimum lease payments until maturity are as follows:

Fiscal Year Ending	
June 30, 2005	\$ 46,880
June 30, 2006	46,880
June 30, 2007	46,880
	<u>140,640</u>
Less: Amounts representing interest	<u>(12,711)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 127,929</u>

**8. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements

	Compensated Absences	Intergovernmental Loan Agreement	Revenue Anticipation Note, Series 2002	Revenue Bonds Series 2002	Total
Long-term obligations at July 1, 2003		\$ 400,000	\$ 90,000	\$ 1,450,000	\$ 1,940,000
Additions	\$ 393,749				393,749
Deductions		30,343	90,000	340,000	460,343
Long-term obligations at June 30, 2004	<u>\$ 393,749</u>	<u>\$ 369,657</u>	<u>\$ -</u>	<u>\$ 1,110,000</u>	<u>\$ 1,873,406</u>

The following is a summary of the current (due in one year or less ) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	Compensated Absences	Intergovernmental Loan Agreement	Revenue Bonds Series 2002	Total
Current	\$ 334,687	\$ 31,423	\$ 355,000	\$ 721,110
Long-Term	59,062	338,234	755,000	1,152,296
Total	<u>\$ 393,749</u>	<u>\$ 369,657</u>	<u>\$ 1,110,000</u>	<u>\$ 1,873,406</u>

The school board's long-term obligations are due as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 386,423	\$ 54,230	\$ 440,653
2006	402,541	39,976	442,517
2007	418,700	25,128	443,828
2008	34,900	9,683	44,583
2009	36,142	8,441	44,583
2010 - 20012	200,951	21,962	222,913
	<u>\$ 1,479,657</u>	<u>\$ 159,420</u>	<u>\$ 1,639,077</u>

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements

**9. CHANGES IN AGENCY FUND DEPOSITS DUE OTHERS**

A summary of changes in agency fund deposits due others follows:

	Beginning Balance July 1, 2003	Additions	Deductions	Ending Balance June 30, 2004
Bakerfield Elementary School		\$ 56,912	\$ 21,795	\$ 35,117
Baker Heights Elementary School		34,904	18,908	15,996
Park Ridge Elementary School		64,569	37,805	26,764
Baker Middle School		131,422	106,680	24,743
Baker High School		395,718	214,781	180,936
	<u>\$ -</u>	<u>\$ 683,525</u>	<u>\$ 399,969</u>	<u>\$ 283,557</u>

**10. RELATED PARTY TRANSACTIONS**

There are no related party transactions reflected in the accompanying financial statements

**11. LITIGATION AND CLAIMS**

At June 30, 2004, the school board is involved in no pending or threatened litigation that requires disclosure in the accompanying financial statements.

**12. ESCROW ACCOUNT**

As result of a legal suit filed by East Baton Rouge Parish School Board versus the City of Baker School Board, the East Baton Rouge Parish Sheriff's Office was directed by a judicial order dated June 2, 2004, to withhold all 2003 property taxes collected until further order of the court. Therefore, to comply with the court order the Sheriff's Office withheld the tax collections and placed in an escrow account maintained by the Sheriff's Office.

Amount held in escrow as of June 30, 2004, was \$6,821. Additionally, taxes collected for the month of June 2004 in the amount of \$17,188 were placed in the escrow account on or about July 20, 2004.

**SUPPLEMENTARY INFORMATION SCHEDULES**

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CITY OF BAKER SCHOOL BOARD  
Baker, Louisiana  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2004

**SPECIAL REVENUE FUNDS**

	Vocational Education - Carl Perkins	LA 4 (Pre-K)	School Food Service Fund	Special Education IDEA - Part B	Extended School Year	Innovative/MSL Programs	Gifted Education	Teacher Quality Program - 8g
<b>ASSETS</b>								
Cash in bank	\$ (19,013)	\$ 32,759	\$ 99,609	\$ (65,530)	\$ (5,261)	\$ (3,749)	\$ 2,253	\$ (2,688)
Other accounts receivable			266					
Interfund accounts receivable	19,013		863	65,530	5,261	3,749		2,688
Inventory			9,407					
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 32,759</b>	<b>\$ 110,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 2,253</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable			\$ 162					
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:								
Unreserved:								
Designated for:								
Special Revenue Fund		32,759	109,983				\$ 2,253	
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>32,759</b>	<b>109,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,253</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>-</b>	<b>\$ 32,759</b>	<b>\$ 110,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 2,253</b>	<b>-</b>

The notes to the financial statements are an integral part of this statement.

**SPECIAL REVENUE FUNDS**

Student Enhancement - 8g	LEAP 21 Tutoring	LEAP 21 Summer Remediation	GEE Remediation	Pre-GED	Grant: Entergy	IASA Title I	IASA Title II	TIF (E-Rate)	Enhancing Education Through Technology (EETT)	Total
\$ (66,895)	\$ (950)	\$ (62,197)	\$ (8,322)	\$ 4,861	\$ 1,698	\$ (248,514)	\$ (16,028)	\$ (12,152)	\$ (5,007)	\$ (375,126)
66,895	950	62,197	8,322	2,510		248,514	16,028	12,152	5,007	12,418
										9,407
-	-	-	-	\$ 7,371	\$ 1,698	-	-	-	-	\$ 154,226
										\$ 162
										162
				\$ 7,371	\$ 1,698					154,064
				7,371	1,698	-	-	-	-	154,064
				\$ 7,371	\$ 1,698	-	-	-	-	\$ 154,226

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**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

<b>SPECIAL REVENUE FUNDS</b>						
	<b>Vocational Education - Carl Perkins</b>	<b>LA 4 (Pre-K)</b>	<b>School Food Service Fund</b>	<b>Special Education IDEA - Part B</b>	<b>Extended School Year</b>	<b>Innovative/MSL Programs</b>
<b>REVENUES</b>						
Local sources:						
Charges for services			\$ 81,101			
Other			269			
Total local sources	-	-	81,370	-	-	-
State sources:						
Other					\$ 5,261	\$ 3,749
Total state sources	-	-	-	-	5,261	3,749
Federal sources	\$ 19,013	\$ 187,300	699,426	\$ 261,074		
<b>Total Revenues</b>	<u>19,013</u>	<u>187,300</u>	<u>780,796</u>	<u>261,074</u>	<u>5,261</u>	<u>3,749</u>
<b>EXPENDITURES</b>						
Instruction:						
Regular Programs						
Special Education Programs				216,427	5,261	3,749
Vocational Programs	19,013					
Other Instructional Programs						
Special Programs		154,276				
Support Services:						
Pupil Support Services				1,889		
Instructional Staff Services		265		30,900		
General Administration						
Business Services						
Operations and Maintenance of Plant Services			2,044			
Student Transportation Services						
Central Services						
Operation of Non-Instructional Services:						
Food Services Operations			689,268			
Total Expenditures	19,013	154,541	691,312	249,216	5,261	3,749
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	-	32,759	89,484	11,858	-	-
<b>OTHER FINANCING SOURCES (Uses)</b>						
Other Sources of Funds			20,499			
Other Uses of Funds				(11,858)		
Total Other Sources and (Uses)	-	-	20,499	(11,858)	-	-
<b>NET CHANGES IN FUND BALANCES</b>	-	32,759	109,983	-	-	-
<b>FUND BALANCES - JULY 1, 2003</b>						
<b>FUND BALANCES - JUNE 30, 2004</b>	<u>\$ -</u>	<u>\$ 32,759</u>	<u>\$ 109,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS

Gifted Education	Teacher Quality Program - 8g	Student Enhancement - 8g	Superior Books - 8g	K-3 Initiative	LA Teacher Assist/Assess	LEAP 21 Tutoring	LEAP 21 Summer Remediation	GEE Remediation	Pre-GED
\$ 5,000									
5,000	-	-	-	-	-	-	-	-	-
	\$ 4,570	\$ 66,895	\$ 2,334		\$ 11,568	\$ 31,164	\$ 62,197	\$ 15,644	
-	4,570	66,895	2,334	-	11,568	31,164	62,197	15,644	-
									\$ 22,435
5,000	4,570	66,895	2,334	-	11,568	31,164	62,197	15,644	22,435
2,747	3,614 956	104,120	2,334	\$53,687		30,383	62,725	16,202	
									15,064
					11,568				
						4,784	473		
2,747	4,570	104,120	2,334	53,687	11,568	35,167	63,198	16,202	15,064
2,253	-	(37,225)	-	(53,687)	-	(4,003)	(1,001)	(558)	7,371
		37,225		53,687		4,003	1,001	558	
-	-	37,225	-	53,687	-	4,003	1,001	558	-
2,253	-	-	-	-	-	-	-	-	7,371
\$ 2,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,371

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**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

<b>SPECIAL REVENUE FUNDS</b>						
<b>Grant:</b>	<b>IASA</b>	<b>IASA</b>	<b>IASA</b>	<b>VSA Arts</b>		
<b>Entergy</b>	<b>Title I</b>	<b>Title II</b>	<b>Title X</b>	<b>Taking Notice</b>	<b>TANF</b>	
<b>REVENUES</b>						
Local sources:						
Charges for services						
Other				\$ 6,000		
Total local sources	\$ 3,000	-	-	-	6,000	-
State sources:						
Other						
Total state sources	-	-	-	-	-	-
Federal sources						
	\$ 848,506	\$ 179,595				
<b>Total Revenues</b>	<b>3,000</b>	<b>848,506</b>	<b>179,595</b>	<b>-</b>	<b>6,000</b>	<b>-</b>
<b>EXPENDITURES</b>						
Instruction:						
Regular Programs	1,302	2,362				
Special Education Programs						
Vocational Programs						
Other Instructional Programs						
Special Programs		654,349	88,237			
Support Services:						
Pupil Support Services						
Instructional Staff Services		117,407	45,513	\$ 100	6,520	\$ 58
General Administration		26,280	26,280			
Business Services		10,946	10,945			
Operations and Maintenance of Plant Services						
Student Transportation Services						
Central Services						
Operation of Non-Instructional Services:						
Food Services Operations						
Total Expenditures	1,302	811,344	170,975	100.00	6,520	58
<b>EXCESS (Deficiency) OF REVENUES</b>						
<b>OVER EXPENDITURES</b>						
	1,698	37,162	8,620	(100)	(520)	(58)
<b>OTHER FINANCING SOURCES (Uses)</b>						
Other Sources of Funds		2,689	63	100	520	58
Other Uses of Funds		(39,851)	(8,683)			
Total Other Sources and (Uses)	-	(37,162)	(8,620)	100	520	58
<b>NET CHANGES IN FUND BALANCES</b>						
	1,698	-	-	-	-	-
<b>FUND BALANCES - JULY 1, 2003</b>						
<b>FUND BALANCES - JUNE 30, 2004</b>						
	\$ 1,698	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

The notes to the financial statements are an integral part of this statement.

Schedule 2

TIF (E-Rate)	Enhancing Education Through Technology (EETT)	Total
		\$ 81,101
		14,269
-	-	95,370
\$ 12,152		215,534
12,152	-	215,534
	\$ 27,728	2,245,077
12,152	27,728	2,555,981
		-
		-
		276,729
		229,140
		19,013
		15,064
		896,862
		1,889
56,769		269,100
		52,560
		21,891
		2,044
		5,257
20,119	27,728	47,847
		689,268
76,888	27,728	2,526,664
(64,736)	-	29,317
64,736		185,139
64,736	-	(60,392)
64,736	-	124,747
-	-	154,064
		-
\$ -	\$ -	\$ 154,064

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Schedule of Compensation Paid Board Members**  
**For the Year Ended June 30, 2004**

This schedule of compensation paid to school board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The compensation of school board members is included in the general administrative expenditures of the General Fund. In accordance with Louisiana Revised Statute 17:56, the school boards members have elected the monthly method of compensation. Under this method, each member of the school board receives \$500.00 per month, and the president receives \$600.00 per month for performing the duties of the office.

	Amount
Carpenter, Dr. Dana, President	\$ 4,800
Davis, Elaine G.	5,100
Dees, Calvin	4,500
Freudenberger, Jane	4,500
Gallman, George	4,500
Total	\$ 23,400

**INDEPENDENT AUDITOR'S REPORT AND INFORMATION  
REQUIRED BY THE SINGLE AUDIT ACT AND  
*GOVERNMENT AUDITING STANDARDS***

**Melvin L. Davis**  
**Certified Public Accountant**

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(A Limited Liability Company)  
P. O. Box 73360 • Baton Rouge, Louisiana 70874  
Phone (225) 774-4703 • Fax (225) 774-4509

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

City of Baker School Board  
Baker, Louisiana

*Board Members and Superintendent:*

I was engaged to audit the financial statements of the City of Baker School Board as of and for the year ended June 30, 2004, and have issued my report thereon dated March 24, 2005. I did not express an opinion on the financial statements, because of I was unable to rely on the basic accounting and reporting systems and the failure to document transactions, reconcile, and analyze certain general ledger accounts and I was not able to apply auditing procedures to satisfy myself.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Baker School Board's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Baker 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 costs as items 2004-1 through 2004-8, 2004-10, 2004-12 through 2004-14, 2004-16, and 2004-17.

A material weakness is a reportable 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. My consideration of the internal control over financial reporting 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.* I believe that the reportable conditions referred as items 2004-1, 2004-3 through 2004-8, 2004-10, 2004-12 through 2004-14, and 2004-16 above are material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City of Baker School Board's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government*

*Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-7, 2004-9, 2004-11, 2004-12, 2004-15, and 2004-18.

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

*Melvin L. Davis, CPA, LLC*

Baton Rouge, Louisiana  
March 24, 2005

**Melvin L. Davis**  
**Certified Public Accountant**

(A Limited Liability Company)  
P. O. Box 73360 • Baton Rouge, Louisiana 70874  
Phone (225) 774-4703 • Fax (225) 774-4509

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

City of Baker School Board  
Baker, Louisiana

Board Members and Superintendent:

Compliance

I have audited the compliance of the City of Baker 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, 2004. The City of Baker School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Baker School Board's management. My responsibility is to express an opinion on the City of Baker School Board's compliance based on my audit.

I conducted my 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 I 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 City of Baker School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Baker School Board's compliance with those requirements.

In my opinion, the City of Baker 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, 2004. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that 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.

Internal Control Over Compliance

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

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

I noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Baker School Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1 through 2004-8, 2004-10, 2004-12 through 2004-14, 2004-16, 2004-17, 2004-19 through 2004-21.

A material weakness is a reportable 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 requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major 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. My 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. I believe that the reportable conditions referred as items 2004-1, 2004-3 through 2004-8, 2004-10, 2004-12 through 2004-14, 2004-16, 2004-19, and 2004-20 above are material weaknesses.

#### Schedule of Expenditures of Federal Awards

I was engaged to audit the financial statements of the City of Baker School Board as of and for the year ended June 30, 2004, and have issued my report thereon date March 24, 2005. I did not express an opinion on the financial statements, because of I was unable to rely on the basic accounting and reporting systems and the failure to document transactions, reconcile, and analyze certain general ledger accounts and I was not able to apply auditing procedures to satisfy myself. 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. I did not audit the accompanying schedule of expenditures of federal awards and I express no opinion on it.

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

*Melvin L. Davis, CPA, LLC*

Baton Rouge, Louisiana  
March 24, 2005

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Schedule of Expenditures of Federal Awards**  
**For the Year ended June 30, 2004**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE _____	FEDERAL CFDA NUMBER*	PASS- THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<b>CASH FEDERAL AWARDS</b>			
<b>United States Department of Agriculture</b>			
Passed through Louisiana Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	None	<u>\$ 691,312</u>
<b>United States Department of Education</b>			
Passed through Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	S010A030018	841,173
Educational Technology State Grants	84.318X	S318X030018	27,728
Title II, Part A, Improving Teacher Quality State Grant	84.367A	S367B030017	178,995
Special Education - Grants to States (IDEA, Part B)	84.027	H027A030033	261,074
Vocational Education - Basic Grants to States	84.048	V048A030018	<u>19,013</u>
Total United States Department of Education			1,327,983
<b>United States Department of Health and Human Services</b>			
Passed through Louisiana Department of Education:			
Temporary Assistance for Needy Families	93.558	28043568	<u>154,541</u>
TOTAL CASH EXPENDITURES OF FEDERAL AWARDS			<u>2,173,836</u>
<b>NONCASH FEDERAL AWARDS</b>			
<b>United States Department of Agriculture</b>			
Passed through Louisiana Department of Agriculture and Forestry :			
Food Distribution Program - Food Donation (Note B)	10.550	None	<u>15,906</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,189,742</u>

**CITY OF BAKER SCHOOL BOARD**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Baker School Board and is presented on the 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-Profits 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 Donation**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2004, the City of Baker School Board had food commodities totaling \$9,407 in inventory.

**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

A. Summary of Auditor's Results

Financial Statement Audit

- Type of auditor's report issued: Disclaimer
- 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? \_\_\_\_\_ x \_\_\_\_\_ Yes \_\_\_\_\_ No

Audit of 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 auditor's 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? \_\_\_\_\_ x \_\_\_\_\_ Yes \_\_\_\_\_ No

• Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
10.555	National School Lunch Program
84.010A	Title I Grants to Local Educational Agencies

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000
- The City of Baker School Board did not qualify as a low-risk auditee.

**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

**B. Findings – Financial Statement Audit**

**Finding 2004-1 Fixed Assets**

**Condition:**

During the process of separating from the East Baton Rouge Parish School System, the School Board contracted with a firm to take a complete physical inventory of its fixed assets as of July 1, 2003. During the year ended June 30, 2004, the School Board did not provide adequate internal controls relating to fixed assets (equipment) based on the following:

- The School Board has not established a fixed asset capitalization policy.
- The School Board has not adopted a tagging system, wherein a tag would be placed on each asset with numbers that are recorded in the detailed property records.
- New equipment purchases have not been added to the detailed property records.
- Any equipment that has been lost, stolen, disposed, or retired has not been removed from the detailed property records.
- The detailed property records have not been monitored and maintained on a regular basis.

Therefore, the fixed asset (equipment) detailed listing for June 30, 2004 was incomplete and inaccurate.

**Criteria:**

Louisiana Revised Statute §24:515(B) states that the School Board “shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.”

**Cause:**

The School Board has not established a department, section, or unit to provide accountability over fixed assets. Moreover, no staff member has been assigned to complete the task. Finally, management has not established written policies and procedures related to fixed assets.

**Effect:**

The lack of adequate internal control relating to fixed assets could result in the School Board’s assets being misappropriated and/or the financial statements could be materially misstated. In addition, the School Board may not know the accurate amounts and values of insurable assets. Noncompliance with state and/or federal laws also could result in the loss of grant funds.

**Recommendation:**

The School Board should establish adequate written policies and procedures related to the accountability of fixed assets. In addition, the School Board should consider acquiring a fixed asset system to account for and monitor its physical assets and related depreciation.

**Management’s Response and Correction Action Plan:**

Management concurs with the finding. See Management’s Corrective Action Plan for their response.

### **Finding 2004-2 Inadequate Segregation of Duties Over Cash Receipts**

**Condition:**

The School Board's Business Manager has authority to receive cash receipts, prepare bank deposits, post cash receipts to the general ledger, execute the processing of cash disbursements, transfer funds between bank accounts, make cash related journal entries, and reconcile bank statements.

**Criteria:**

A good system of internal control provides for a proper segregation of duties of the cash receipts function.

**Cause:**

The School Board internal control structure has not been designed to provide the normal segregation of duties.

**Effect:**

The absence of adequate segregation of duties increases the risk that errors and/or irregularities could exist without being identified and corrected in a timely manner. In addition, the possibility exists that this person could misappropriate cash and conceals the misappropriation by manipulation of the cash receipts duties.

**Recommendation:**

The School board should segregate the responsibilities relating to the custody, recording, and reconciliation of cash accounts.

**Management's Response and Correction Action Plan:**

Management concurs with the finding. See Management's Corrective Action Plan for their response.

### **Finding 2004-3 Bank Reconciliations**

**Condition:**

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During the year ended June 30, 2004, none of the School Board's bank accounts were reconciled to the general ledger. My attempt to review the bank reconciliations for the month of June 2004, disclosed the following:

1. The five checking accounts utilized by the individual schools to account for income from the sale of meals throughout the year were not reconciled monthly. The balance in these accounts totaled \$79,972.67, and was not recorded in the School Board's general ledger until October 18, 2004.
2. The other two (2) checking accounts are reconciled to separate checking account software (i.e., Microsoft Money). However, the June 30, 2004 reconciliation for one of the accounts with a bank balance of \$954,514.36 was not on file with those for the remainder of the year. The reconciliation for the other account with a bank balance of \$1,193,294.07, was examined and disclosed the following exceptions:
  - a) The reconciliation was not prepared until January 6, 2005, and was not reviewed or approved by appropriate supervisory personnel.
  - b) Checks were issued out-of-sequence.
  - c) The general ledger cash account (1000-11010), previously used to record cash transactions was zeroed-out with a journal entry which was not documented and a single entry was made to a new general ledger cash account (1000-11012) that equaled the reconciled cash account of \$232,788.04.
  - d) Two (2) checks listed as outstanding were for incorrect amounts. These errors resulted in the outstanding check listing be understated by \$778.98.

- e) One hundred eighteen (118) checks totaling \$99,119.39, listed as outstanding were actually dated subsequent to June 30, 2004.
- f) My review of subsequent bank statements revealed fifty-one (51) checks totaling \$307,455.29 that were dated on or before June 30, 2004. These checks should have been listed as outstanding.

Criteria:

An adequate internal control structure would require the complete, accurate, and timely reconciliation of all cash accounts to the general ledger on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain errors.

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 accounts are reconciled to the general ledger on a monthly basis.

Effect:

The failure to prepare bank reconciliations in a complete, accurate, and timely manner could allow errors and/or irregularities to exist without being identified and corrected. As noted previously, the exceptions resulted in, at least, a minimum overstatement of cash in the amount of \$209,114.28 in the one account examined.

Recommendation:

The School Board should implement an adequate control environment that includes written procedures and management monitoring to ensure that all bank accounts are reconciled in a timely manner and reviewed and approved by an appropriate supervisor. The written procedures should specifically identify employees to perform the reconciliations, and the supervisor who is responsible for the review and approval.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-4 Cash Receipts/Revenues Function and Transactions**

Condition:

My review of the School Board's procedures relating to the cash receipts and revenue function disclosed the following weaknesses:

- Cash receipts were not deposited intact daily (i.e. Vehicle sales tax payments were on some occasions deposited two months, three months, four months, and in one instance seven months after receipt).
- No list of receipts was prepared by the mail-opener for subsequent checking to the deposit slip.
- Remittance advices or letters that accompanied receipts were not always available.
- Some cash receipts were not supported with sufficient detail to identify the source.
- The School Board reduced Minimum Foundation Program general fund revenue by \$20,499.00, the amount required by the Louisiana Department of Education to be transferred to the Special Revenue Fund - School Food Service Fund. The amount should have been recorded as an "Other Financing Sources - Transfers Out."
- In several instances, rather than depositing and recording revenues through the cash receipt cycle, the School Board used remittances from vehicle sales tax on five (5) occasions totaling \$153,006.72 to purchase investments directly through Louisiana Asset Management Pool (LAMP), Inc. and on four (4) occasions totaling \$123,850.32 to deposit funds into a savings account. Also, a remittance for ad valorem tax in the amount of \$32,442.26 was used to purchase investments directly through LAMP, Inc.

- Vehicle Sales Tax for the month of June 30, 2004, was not recorded as revenue during the year ended June 30, 2004.
- Pre-GED revenue in the amount of \$10,205 was recorded twice, in both the general and special revenue fund.
- The School Board recorded ad valorem tax revenue in the amount of \$979,327.68, when it should have recorded only one-half of this amount, as required by the "Intergovernmental Agreement" between the East Baton Rouge Parish School Board and the City of Baker School Board dated July 25, 2003.
- The School Board recorded \$24,003.67 of ad valorem tax revenue that was not both measurable and available as of June 30, 2004, as required by generally accepted accounting principles (GAAP). This amount was being held in an escrow account by the East Baton Rouge Parish Sheriff's Office as result of a lawsuit filed by the East Baton Rouge Parish School Board. Therefore, this amount should not have been recorded as revenue during the year ended June 30, 2004.
- Ad valorem tax of \$32,442.26 collected during the month of January 2004 was recorded twice.
- Collection costs related to sales tax collections was overstated by \$1,984.92.
- The School Board erroneously recorded \$253,802.75 as revenue, when these funds represented \$249,202.75 of student activity funds transferred from the East Baton Rouge Parish School Board and \$4,600.00 of donations to the schools with the system.

Criteria:

Adequate internal controls relating to the cash receipt and revenue function require that specific procedures be in place to ensure that cash receipts and revenues are adequately documented, deposited and recorded on a timely basis and in accordance with GAAP.

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 receipts and revenues are properly documented and recorded timely, accurate, and in accordance with GAAP.

Effect:

Cash receipts have been exposed to the risk of loss from burglary, misplacement, or misappropriation, and cash is not available for expenditures or investment. In addition, revenues of the general fund were overstated by \$772,127.20.

Recommendation:

The School Board should implement an adequate control environment that includes written procedures and management monitoring to ensure that all cash receipts and revenues are properly documented and recorded timely, accurately, and in accordance with GAAP.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-5 Human Resources and Payroll Functions**

Condition:

Internal controls relating to the human resources and payroll functions are ineffective and inefficient based on the following:

- There is a lack of segregation of duties within the accounting department related to payroll. Two employees of the accounting department have the ability to maintain the payroll master file. These employees' duties include making changes to the master file for pay rate changes, inputting time

and attendance information, updating leave records, preparing the payroll, and in some instances delivering the signed payroll checks.

- Observed that personnel files are not being kept current and, in some instances, were incomplete. Also, personnel files are not centrally located and access to the files is not limited.

Based on the results of our random sample of 33 payroll transactions, I noted the following exceptions:

- 7 of 30 (23%) rate of pay were verified via use of rate listed on TRSL application or "Personnel Recommendation" form rather than an appointment letter or other document approved by the board.
- 10 of 33 (30%) timesheets were not completed by the employee (i.e., the employee signed in, but failed to sign out, the timesheet not initialed by employee, or the timesheet not approved by supervisor).
- 6 of 33 (18%) properly requested and approved leave slips were not on file for inspection.
- 21 of 29 (72%) personnel files did not include information verifying beginning leave balances.
- 1 of 33 (3%) the School Board was unable to locate the employee's personnel file.

Criteria:

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

Cause:

The School Board did not maintain an adequate control environment for the human resources and payroll functions due to a lack of written policies and procedures.

Effect:

The lack of adequate internal controls relating to human resources and payroll significantly increases the risk that material errors and irregularities could occur and go undetected.

Recommendation:

I recommend that another management employee, such as the personnel manager, perform some of the procedures in the payroll process, in order to improve internal controls in this area. In addition, the School Board should develop written internal control procedures within the human resources and accounting departments to include a control environment that will ensure adequate segregation of duties, effective communication between the departments, and that current and complete personnel files for all employees are maintained by an individual who does not have payroll preparation responsibilities. I also recommend that the School Board consider the development and distribution of an employee manual.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-6 Conversion to New Financial Accounting System**

Condition:

Effective July 1, 2003, the School Board implemented new financial accounting software. Initially, the new system was utilized only to process payroll transactions. Later a decision was made to implement the remaining functions of the system. During the audit, I also found that beginning balances were not accurately recorded in the new financial accounting system. The differences are noted as follows:

	Balances Per Audit June 30, 2003	Balances Recorded During FY 2004	Differences
Cash and cash equivalents	\$ 117,531.16	\$ 25,000.00	\$ 92,531.16
Accounts, salaries, and other payables	61,204.37		61,204.37
Fund Balance - Undesignated	56,326.79	25,000.00	31,326.79

**Criteria:**

Good internal controls require that new systems or applications are implemented effectively. To ensure effective implementation, management must adopt and implement a plan to move the application or system from development through testing and into operation (production), apply appropriate testing and approval procedures, and apply appropriate procedures to convert systems and data.

**Cause:**

The School Board's management team did not adequately plan the conversion from the old checkbook-type accounting system to the new integrated financial accounting system.

**Effect:**

The new financial accounting system has not been effectively used, and balances in numerous accounts may have been recorded for incorrect amounts. Thus, financial statement amounts may not be fairly stated.

**Recommendation:**

Management should conduct a post-implementation review of the system and consider the appropriate steps or procedures necessary to correct any inaccuracies in financial accounts or other functions of the system.

**Management's Response and Correction Action Plan:**

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-7 Failure to Establish Debt Service Funds**

**Condition:**

During the year ended June 30, 2004, the following transactions related to general long-term debts were not properly account for:

- Based on an agreement between the fiscal agent and the School Board, funds totaling \$409,564.21 were withdrawn from a School Board bank account and deposited in a sinking fund, as required by bond indenture. These funds were to be accumulated for the payment of long-term principal and interest. Management of the School Board did not record these transactions in its account records, nor was there a Debt Service Fund established to provide proper accountability.
- Long-term principal and interest payments of \$550,529.71 were accounted for in the General Fund, rather the in Debt Service Funds.

**Criteria:**

General accepted accounting principles (GAAP) require that state and local governmental entities account for the accumulation of resources for and the payment of general long-term debt principal and interest in Governmental Funds – Debt Service Funds.

Cause:

The School Board's management was unaware of the types of funds that should be used by state and local governments to account for the accumulation of resources and payment of general long-term debt principal and interest.

Effect:

Adherence to GAAP assures that financial reports of all state and local governments contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria. Therefore, the financial statements cannot be compared to other state and local governments with any reasonable degree of assurance.

Recommendation:

I recommend the establishment of Debt Service Funds to account for the accumulation of resources and payment of general long-term debt principal and interest.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-8 Journal Entries**

Condition:

My review of the School Board's "Journal Entry Activity" report disclosed an excessive amount of journal entries. The School Board did not utilize a standard journal entry form, which would have been reviewed for documentation, accuracy, and completeness prior to approval and posting. During the year, the activity report showed that 417 journal entries were posted to the general ledger with debits and credits both equaling \$84,793,731.10. All of the entries were posted directly to the accounting system, without documentation and supervisory review and approvals.

I also noted that the explanations accompanying the entries were inadequate, in many instances. Explanations for many of the entries were merely to update cash balances, clear cash balances, clear balances, transfer funds, transfer between funds, balance receipts, balance accounts payable, reclassify, record revenues and expenditures, etc.

Criteria:

A good system of internal controls would include the use of a standard journal entry form that is supported with a full explanation, adequate documentation, and supervisory review and approval of all journal entries prior to posting to the general ledger. The number of journal entries should be limited, since the system should record transactions through the normal receipts, disbursements, and payroll systems.

Cause:

Management of the School Board has not placed sufficient emphasis on ensuring that all financial transactions are adequately documented, reviewed, and approved.

Effect:

Without adequate internal controls and supervisory review of journal entries prior to posting, errors, irregularities, and/or duplications could exist and not be detected timely.

Recommendation:

I recommend the adoption of procedures whereby all journal entries will be accompanied by full explanation, adequately documented, and reviewed and approved by a responsible member of management.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

### **Finding 2004-9 Noncompliance with Budget Laws**

#### **Condition:**

The School Board budget was not adopted and was not implemented in accordance with state law. Instances of noncompliance with state law are as follows:

- The original and amended budgets combined the General Fund and all Special Revenue Funds.
- The budget did not include a budget message, which should have included a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features.
- Revenues and expenditures were not itemized in accordance with guidance provided by the Louisiana Department of Education.
- The School Board did not publish a notice stating that the proposed budget was available for public inspection in its official journal..
- No public meeting was not conducted on the budget proposal.
- The School Board did not amend the budget for increases/decreases in nine (9) grant awards accounted for in the special revenue fund that were estimated in the original adopted budget. Had the amendments been adopted, the budget would have been increased by the net amount of \$411,110.
- The School Board received another fourteen (14) separate grants totaling \$459,224 accounted for the special revenue fund, but the budget was never amended to include these grants.

#### **Criteria:**

Louisiana Revised Statute (R.S.) 39:1301 et seq. also known as the Louisiana Local Government Budget Act requires the following:

- R.S. 1305(A) – Each political subdivision shall cause to be prepared a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund and each special revenue fund.
- R.S. 39:1305(C)(1) – A budget message signed by the preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.
- R.S. 39:1305(C)(2)(b) – School boards shall itemize revenues and expenditures in accordance with guidance provided by the state Department of Education. R.S. 17:88(C) states that each school board shall submit to the superintendent of education a copy of its adopted budget no later than September thirtieth of each year which shall include the same line items as prescribed by the State Board of Elementary and Secondary Education.
- R.S. 39:1307(B) – Upon completion of the proposed budget, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection.
- R.S. 39:1307(C) - No proposed budget shall be considered for adoption or otherwise finalized until at least one public hearing has been conducted on the proposal.
- R.S. 39:1310 – When there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt a budget amendment in an open meeting to reflect such change.

#### **Cause:**

The School Board's management was unaware of the provisions of the Louisiana Local Government Budget Act.

#### **Effect:**

The School Board' is not in compliance with the Local Government Budget Act for the year ended June 30, 2004. In addition, the School Board is unable to present in its financial statements a budgetary comparison schedule for the general fund as required by GAAP.

Recommendation:

The School Board's management should become familiar with the requirements of the Local Government Budget Act, and develop procedures that will ensure compliance with the Act. Also, the budget should be used as a management tool in making financial decisions affecting the School Board.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-10 Interim Financial Reporting**

Condition:

The School Board did not prepare or provide interim financial statements to the Board during the year.

Criteria:

For purposes of monitoring the financial condition and operations of the School Board, complete and accurate financial statements should be available for management and presented to the Board members for their review on an interim basis.

Cause:

Due to the School Board's failure to record transactions in a timely manner and the lack of performing monthly reconciliations of cash and selected general ledger accounts, the School Board was unable to close the accounting records on a monthly basis in order to prepare interim financial statements.

Effect:

Without on-going oversight of the financial operations of the School Board, Board members are unaware of the deterioration in the School Board's finances, or even potential irregularities.

Recommendation:

The School Board should implement procedures requiring interim financial statements to ensure its oversight responsibilities of the financial condition and operations of the School Board.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-11 Investments**

Condition:

During the audit, I found the following deficiencies related to the investment of School Board funds:

- Investments are purchased by depositing checks remitted for vehicles sales and ad valorem taxes directly in Louisiana Asset Management Pool (LAMP), Inc., rather than being deposited through the normal cash receipt cycle and checks written to make the purchases.
- Found no evidence that investment transactions were authorized by Board.
- Found no evidence that a determination was made as to monies considered available for investment.
- Detailed accounting records of investment transactions were not maintained, but instead the total investment was recorded at year-end.

- Management of the School Board has not effectively monitored the activity of the investment in LAMP, Inc.

Criteria:

Adequate internal controls relating to the investments require that investment transactions are approved in advance by board of directors or an appropriate level of management, that transactions are recorded properly as to account, amount, and period. In addition, an appropriate level of management should periodically monitor and review the result of investment activity.

The investment policy of the Board states that the Board shall authorize its President and Superintendent, as treasurer, to invest any surplus funds in whatever type deposit that will offer the Board the most favorable rates of interest. The policy also states, "In no event shall monies be considered available for investment unless and until such funds are determined by the Superintendent or chief financial officer, in the exercise of prudent judgment, to be in excess of the immediate cash requirements of the fund to which the monies are credited".

Cause:

School Board management was not familiar with the Board's investment policy and has not place sufficient emphasis on ensure effective internal controls over investment activity.

Effect:

The lack of providing adequate controls over investment transactions could result in unauthorized investments, investments in obligations that are not in compliance with state laws, purchases when funds are not available, and management may not be aware of investment return in a timely manner.

Recommendation:

The School Board should implement an adequate control environment that includes written procedures, detailed accounting records, and effective monitoring and review of investment activity.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-12 Procurement Procedures and Cash Disbursement Functions**

Condition:

During the audit, I found the following deficiencies related to the procurement and cash disbursement functions:

- The School Board does not have a centralized purchasing function. During the year, three different employees regularly converted purchase requisitions to purchase orders, and no formal procurement files exist that would include a copy of the requisition, purchase order, quotes, or bids.
- The School Board does have a purchase order system, but it is not utilized to its maximum benefits to control spending. The purchase orders are only one part and are not consistently used when appropriate.
- The procurement system does not utilize receiving reports to record the receipt of goods.
- Checks submitted to the officers for signature are not accompanied by invoices or other supporting documents.
- Requisitions are not compared to budgets to determine the availability of funds.

My detail test of seventy-eight (78) disbursements disclosed the following discrepancies:

- Fifty-three (53) disbursement vouchers did not show evidence that the purchases were properly authorized.
- Six (6) disbursements totaling \$38,088.29 were paid based on copies of invoices.
- Three (3) disbursements totaling \$34,953.30 were paid based on vendor statements.
- One (1) disbursement totaling \$554.26 was paid based on a quote.
- One (1) disbursement totaling \$3,614.00 was paid based the requisition.
- One (1) disbursement totaling \$16,268.57 was supported with both original and copies of invoices.
- None of the disbursements were supported with receiving reports, except for the signature of a staff member on the face of the invoices in several instances.
- Five (5) disbursements did not show evidence of checks for clerical accuracy.
- Supporting documents are not canceled to avoid duplicate payment.
- Two (2) disbursements totaling \$18,457.53 appear to be duplicate payments.
- Two (2) disbursements totaling \$14,471.17 were not supported with invoices, receipts, etc.
- When considered appropriate, test disclosed fifty-five (55) instances that the disbursement vouchers did not include a copy of the purchase order, if issued.
- Fourteen (14) disbursement files did not contain evidence that the items purchased had been subjected to appropriate procurement procedures such as obtaining bids or quotes, sole source letters, or determining that the items were on State contract, if applicable.
- Many of the disbursements were past due or delinquent.
- Five (5) disbursements totaling \$208,541.84 were not recorded on the check register.

Criteria:

Adequate internal controls relating to the procurement and accounts payable/cash disbursements require that specific procedures be in place to ensure that the procurement of goods and services are in compliance with state laws and regulations, and that disbursements are properly authorized, supported with documentation such as invoices and receiving reports, and that the disbursements are paid and recorded timely.

Louisiana Revised Statute §38:2212.1 states "All purchases of any materials or supplies exceeding the sum of \$20,000 shall be advertised and let by contract to the lowest responsible bidder and purchases of \$10,000 or more, but less than \$20,000 shall be made by obtaining three telephone or facsimile quotations."

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 purchases are properly requested, authorized, and that payments are supported by purchase orders, receiving reports, and original invoices.

Effect:

The lack of adequate internal controls relating to the procurement procedures and cash disbursements functions could result in the material misstatement of financial statements and/or the misappropriated of School Board assets..

Recommendation:

I recommend that the School Board adopt written policies and procedures related to procurement and cash disbursements that will require centralized purchasing, utilization of the purchase order system, adequate supporting documentation, proper maintenance of files, timely payment and recording of transactions, and ensure compliance with State laws.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

### **Finding 2004-13 Failure to Reconcile and Analyze Certain General Ledger Accounts**

#### **Condition:**

For the year ended June 30, 2004, the School Board failed to reconcile and/or analyze certain general ledger accounts. My audit disclosed the following exceptions:

- None of the payroll withholding accounts were reconciled or analyzed during the fiscal year. Several of the payroll withholding accounts reflected abnormal (debit) balances throughout and at year end.
- During the preparation of the Department of Treasury, Internal Revenue Service Form 941 "Employer's Quarterly Federal Tax Return", the School Board does not reconcile amounts reported on the form to its general ledger.
- Interfund receivables and payables are out-of-balance by \$224,603.75.
- General fund account no. 1000-11050 "Cash with Fiscal Agents" in the amount of \$310,530.08 actually includes \$124,472.75 of cash on deposit in a savings account and \$186,057.33 of investment in the Louisiana Asset Management Pool (LAMP), Inc., and a local government investment pool. Both amounts were recorded via a journal entry dated November 24, 2004, but recorded as of June 30, 2004. The amounts were based on June 2004 summary statements for both the savings and investment accounts. In addition, the account title is misleading.
- Fourteen (14) individual special revenue funds have "interfund accounts receivable" recorded in the amount of \$507,527. These amounts are actually external accounts receivable due from grantor agencies, and therefore should not have been recorded as interfund accounts receivable.

#### **Criteria:**

An adequate internal control structure would require the timely reconciliation of all cash and selected general ledger accounts on a monthly basis to ensure that all transactions are properly recorded and that accounts do not contain any errors.

#### **Cause:**

Due to the lack of written procedures and inadequate management supervision, the School Board does not have an adequate control environment to ensure the all cash and general ledger accounts are reconciled and/or analyzed on a monthly basis.

#### **Effect:**

The failure to complete cash and general ledger account reconciliations in a timely manner could allow errors and/or irregularities to exist without being identified and corrected.

#### **Recommendation:**

The School Board should implement an adequate control environment that includes written procedures and management monitoring to ensure that all bank accounts and other critical balance sheet accounts are reconciled in a timely manner and reviewed by an appropriate supervisor. The written procedures should specifically identify employees to perform the reconciliations and the supervisor that is responsible for the review and approval.

#### **Management's Response and Correction Action Plan:**

Management concurs with the finding. See Management's Corrective Action Plan for their response.

### **Finding 2004-14 Other Financing Uses**

#### **Condition:**

During the year ended June 30, 2004, the School Board's general fund reported \$184,289.79 of "Other Financing Uses – Transfers Out" to various special revenue funds, that should have been recorded as expenditures and reduction of expenditures in the general and special revenue funds, respectively. These

reimbursements were due to deficit spending, disallowed costs, coding errors, etc. of the various special revenue funds.

In addition, the School Board erroneously reported Student Activity funds transferred from the East Baton Rouge Parish School Board and other donations for the individual school as revenue and "Other Financing Uses – Transfers Out" in the amount of \$253,802.75. These funds should have been accounted for in a liability account such as "Deposits Held for Others."

Criteria:

Generally accepted accounting principles (GAAP) require that transactions that constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund, should be recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditure or expense in the fund that is reimbursed.

Cause:

Management of the School Board was not aware of GAAP related to accounting for interfund reimbursements.

Effect:

Adherence to GAAP assures that financial reports of all state and local governments contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria. Therefore, the financial statements cannot be compared to other state and local governments to some reasonable degree of assurance. In addition, the financial statements reflect overstated "Other Financing Uses – Transfers Out" (\$438,092.54) and understated expenditures (184,289.79) in the general fund and overstated "Other Financing Uses – Transfers In" and expenditures in the various special revenue funds, both by the amount of \$184,289.79.

Recommendation:

Management of the School Board should become familiar with GAAP applicable to the financial statements of state and local governments and develop written policies and procedures to ensure complete and accurate financial statements in the future years.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-15 Student Activity Accounts**

Condition:

The School Board did not monitor or provide adequate oversight over the Student Activity Accounts of the five (5) schools in the City of Baker School System.

Criteria:

Louisiana Revised Statute §17:414.3(C) states that, "Each school principal shall report on his school's fund annually to the superintendent or a member of his staff designated by him, at a regular time designated by the superintendent. The report shall be sufficiently detailed to notify the superintendent of account balances, significant deposits, significant expenditures, and any unresolved errors or discrepancies. The superintendent shall approve such reports in writing to the school within two months of receiving the report or shall notify the principal of any further information needed or examination required. The superintendent shall be responsible for notifying the school board of the apparent need for further examination, supervision, or intervention. The school board may require and provide for an audit of the school fund of any school within its jurisdiction at any time".

Cause:

Management of the School Board has not placed sufficient emphasis on monitoring or providing oversight over the operations of the Student Activity Accounts of the schools within the system.

Effect:

The lack of monitoring or providing oversight could result in school funds not operating effectively, efficiently or in compliance with state laws or regulations.

Recommendation:

The School Board should develop written policies and procedures that ensure adequate internal controls and sufficient monitoring and oversight.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-16 Special Revenue Fund Billings**

Condition:

Requests for reimbursement are not being made on a timely basis.

Criteria:

To facilitate cash flow, requests for reimbursement for the various special revenue funds should be submitted on a timely basis.

Cause:

Management has not placed sufficient emphasis on the timely submission of requests for reimbursement.

Effect:

The failure to submit requests for reimbursement on a timely basis could result in disallowed costs and, therefore, a loss of federal and state revenues. The failure to submit requests for reimbursement on a timely basis also has a negative impact on the determination of funds available for investment purposes and possible interest earnings.

Recommendation:

The School Board should implement procedures that require timely submission of requests for reimbursement.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-17 Inadequate Access Control over Financial Information System**

Condition:

During the course of conducting my audit for the year ended June 30, 2004, the following weaknesses were noted with regards to access controls over the financial accounting system:

- The Business Manager and the accountant both had total access to view and modify any and all files within the system, including the right to modify security access.
- Two other staff members in different departments of the School Board had the ability to convert purchase requisitions to purchase orders.
- The Payroll Technician and the Transportation Manager had apparent limited access to the payroll module.

- The Human Resources Manager and a secretary had access to make changes to the human resource module.
- Numerous other individuals had read-only access to the system.

Criteria:

Effective internal control provides that individuals should be permitted access to only those data files and functions necessary to perform their normal duties.

Cause:

Management of the School Board has not placed sufficient emphasis on establishing and monitoring access control given to users that would ensure that the integrity of School Board data was maintained.

Effect:

Failure to establish effective controls in an on-line data entry environment could result in the loss of data and the failure to prevent or detect errors or fraud in processing transactions.

Recommendation:

The School Board should take the necessary measures to ensure that access granted to employees is limited to those data files and functions necessary to perform their assigned duties. In addition, management should institute review or oversight procedures to ensure transaction initiated by staff are documented, accurate, and have been appropriately approved.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-18 Late Submission of the Audit Report**

Condition:

The audit of the financial statements was not completed and was not filed with the Office of the Legislative Auditor within six months of the close of the School Board's fiscal year.

Criteria:

In accordance with Louisiana Revised Statute §24:513A(5)(a) audits shall be completed within six months of the close of the entity's fiscal year.

Cause:

The School Board was making journal entries through December 2004, and requested audit data that was not made available until January, February, and March 2005.

Effect:

The audit report was not filed within the time period required by state law.

Recommendation:

Management emphasize the providing of audit-related data in a timely manner and establish financial reporting procedures that will ensure the complete, accurate, and timely recording of transactions.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

**C. Findings and Questioned Costs – Major Federal Award Programs**

**Finding 2004-19 Support Documentation for Expenditures/Disbursements**

**10.555 – National School Lunch Program**

**Condition:**

The test of expenditures for the National School Lunch Program (CFDA No. 10.555) was conducted as part of the overall sample of expenditures disclosed in “Finding 2004-12 Procurement Procedures and Cash Disbursement Function.” That sample included twelve (12) expenditure items for the federal awards and disclosed the following exceptions:

- Eleven (11) disbursement vouchers did not show evidence that the purchases were properly authorized.
- One (1) disbursement voucher was not supported by invoice, receipt, etc.
- One (1) disbursement voucher was paid based on use of a vendor statement as support documentation.
- None of the disbursement vouchers were supported by purchase orders.
- None of the disbursements were supported with receiving reports, except for the signature of staff members on the face of six (6) of the invoices.
- Three (3) disbursements did not show evidence of checks of clerical accuracy.
- Supporting documents are not canceled to avoid duplicate payment.
- Two (2) disbursement vouchers totaling \$17,088.95 appears to be duplicate payments.

**Questioned Costs: \$33,198.06**

**Criteria:**

Office of Management and Budget (OMB) Circular A-87 requires that charges to federal awards are authorized or not prohibited under State or local laws or regulations and that costs incurred be adequately documented.

**Cause:**

The School Board has not placed sufficient emphasis on ensuring that the purchase of goods and services are properly requested, authorized, and that payments are supported by purchase orders, receiving reports, and original invoices.

**Effect:**

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

**Recommendation:**

Program personnel should comply with the provisions of OMB Circular A-87. In addition, management should adopt written policies and procedures related to disbursements that will require centralized purchasing, the utilization of a purchase order system, adequate supporting documentation, and proper maintenance of files.

**Management’s Response and Correction Action Plan:**

Management concurs with the finding. See Management’s Corrective Action Plan for their response.

## **Finding 2004-20 Support Documentation for Expenditures/Disbursements**

### **84.010A – Title I Grants to Local Educational Agencies**

#### **Condition:**

The test of expenditures for the Title I Grants to Local Educational Agencies (CFDA No. 84.010A) was conducted as part of the overall sample of expenditures disclosed in “Finding 2004-12 Procurement Procedures and Cash Disbursement Function”. The sample included seventeen (17) expenditure items for the federal awards and disclosed the following exceptions:

- Two (2) disbursement vouchers did not show evidence that the purchases were properly authorized.
- One (1) disbursement voucher was not supported by an invoice or receipt.
- One (1) disbursement voucher was paid based on using of a vendor statement as support documentation.
- Two (2) disbursement vouchers were not supported by purchase orders.
- Thirteen (13) disbursements were not supported with receiving reports, except for the signature of staff members on the face of some of the invoices.
- Three (3) disbursements did not show evidence of checks of clerical accuracy.
- Supporting documents are not canceled to avoid duplicate payment.
- Four (4) disbursements files did not contain evidence that the items purchased had been subjected to appropriate procurement procedures such as obtaining bid or quotes, sole source letters, or determine that the items were on State contract, if applicable.
- One (1) travel claim for reimbursement request was for expenses unrelated to the Title I program and another was not adequately documented to support mileage reimbursement.

**Questioned Costs: \$10,557.92**

#### **Criteria:**

Office of Management and Budget (OMB) Circular A-87 requires that charges to federal awards be authorized or not prohibited under State or local laws or regulations and that the costs incurred be adequately documented.

#### **Cause:**

The School Board has not placed sufficient emphasis on ensuring that the purchase of goods and services are properly requested, authorized, and payments are supported by purchase orders, receiving reports, and original invoices.

#### **Effect:**

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

#### **Recommendation:**

Program personnel should comply with the provisions of OMB Circular A-87. In addition, management should adopt written policies and procedures related to disbursements that will require centralized purchasing, the utilization of a purchase order system, adequate supporting documentation, and proper maintenance of files.

#### **Management’s Response and Correction Action Plan:**

Management concurs with the finding. See Management’s Corrective Action Plan for their response.

**Finding 2004-21 Maintenance of Property Records**

**84.010A – Title I Grants to Local Educational Agencies**

**Condition:**

The School Board has not adopted a tagging system, wherein a tag is placed on each asset with numbers that are recorded in the detailed property records. In addition, new equipment purchases have not been added to the detailed property records. Therefore, equipment purchased for \$20,878 disclosed in my test of expenditures during the year has not been identified as being purchased with federal funds and managed as required by federal regulations.

**Criteria:**

The “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (OMB Common Rule), subpart c, section 32(d)(1) states that property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

**Cause:**

The School Board has not established a department, section, unit, etc. to provide accountability over fixed assets and no staff member has been assigned this task. In addition, management has not established written policies and procedures related to fixed assets.

**Effect:**

The School Board is in violation of the provisions of the “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” (OMB Common Rule).

**Recommendation:**

The School Board should establish adequate written policies and procedures related to the accountability and maintenance of federal property to ensure compliance with federal regulations..

**Management’s Response and Correction Action Plan:**

Management concurs with the finding. See Management’s Corrective Action Plan for their response.

**Finding 2004-22 Employee Certifications**

**84.010A – Title I Grants to Local Educational Agencies**

**Condition:**

The certifications for the twenty-four (24) valid employees employed during the audit period disclosed that all employee certifications were performed on an annual basis and four (4) of the employees actually worked on multiple programs during the year.

**Criteria:**

Office of Management and Budget (OMB) Circular A-87, Attachment B, item 11(h)(3), requires that employees working solely on a single Federal award, charges for salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. The certifications should be prepared at least semi-annually and will be signed by the employee or supervisory official having fist hand knowledge of the work performed by the employee. Additionally, OMB Circular A-87, Attachment B, item 11(h)(4), requires that for employees working on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports, or equivalent documentation.

Cause:

School Board management was not completely familiar with the requirements of OMB Circular A-87 as it relates to support of salaries and wages.

Effect:

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

Recommendation:

The Supervisor of Federal Programs and NCLB should implement procedures to ensure compliance with the provisions of OMB Circular A-87.

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**Finding 2004-23 Comparability Reporting**

84.101A – Title I, Part A – Grants to Local Educational Agencies

Condition:

During the fiscal year 2004, the School Board had not met the statutory comparability requirements. An Local Educational Agency (LEA) is considered to have met the statutory comparability requirements if it has implemented the following: (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

Criteria:

Each LEA must develop procedures for complying with the comparability requirements and must implement the procedures annually. They must maintain records that are updated biennially documenting compliance with the comparability requirements (Title I, Section 1120A(c) of ESEA (20 USC 6321(c)).

Cause:

School Board management did not placed sufficient emphasis on ensuring that records are maintained documenting compliance with the comparability requirements.

Effect:

The School Board is in violation of the provisions of (Title I, Section 1120A(c) of ESEA (20 USC 6321(c)).

Recommendation:

Management of the School Board should ensure compliance with the provisions of (Title I, Section 1120A(c) of ESEA (20 USC 6321(c)).

Management's Response and Correction Action Plan:

Management concurs with the finding. See Management's Corrective Action Plan for their response.

**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

**Findings – Financial Statement Audit**

Finding 2003-01	Capital Assets	Unresolved. See finding 2004-1 in the current year audit.
Finding 2003-02	Lack of Time and Attendance Records	Resolved.
Finding 2003-03	Annual and Sick Leave Accrual	Resolved.
Finding 2003-04	Submission of Audit report	Unresolved. See finding 2004-18 in the current year audit.

**CITY OF BAKER SCHOOL SYSTEM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**REFERENCE NO. AND TITLE: 2004-1 FIXED ASSETS**

**MANAGEMENT'S RESPONSE**

Management concurs with the finding that accountability and oversight of fixed assets were not assigned to a staff person; and written policies and procedures were not established. Effective March 14, 2005, management has assigned fixed asset accountability and maintenance to a staff person. The Management will take the necessary steps to obtain the approval of a capitalization policy on or before May 31, 2005. Management is in the process of developing a procedural manual for fixed assets that will assure proper maintenance and accountability of fixed assets.

The Property Manager with the assistance of Payable Technician will obtain records of all fixed assets purchased during the period of July 1, 2003 to June 30, 2005. Once this information has been completed, fixed assets will be tagged and the detailed property records will be updated. In addition, a physical inventory of fixed asset as of June 30, 2005 will be conducted and detailed records will be corrected. Thereafter, each principal will be asked to designate a staff person as the school fixed asset coordinator. This person will be vested with the responsibility of conducting annual inventory and completing annual certification form, which will be forwarded to the Property Control Manager for review and updating the detailed database. The Property Control Manager will perform random sample audits of selected locations for compliance.

**Person responsible for corrective action:**

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Computer Technician  
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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-2 INADEQUATE SEGREGATION OF DUTIES  
OVER CASH RECEIPTS**

**MANAGEMENT'S RESPONSE**

Effective March 21, 2005, steps have been taken to ensure that the custodian, recording, and reconciliation duties relative to cash receipts were segregated to ensure that proper internal control over cash exist.

**Person responsible for corrective action**

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Email:

**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-3 BANK RECONCILIATIONS**

**MANAGEMENT'S RESPONSE**

Management concurs that the bank reconciliations were not prepared on a timely basis for all accounts and the bank reconciliations prepared failed to reconcile the bank balance to the book balance. Procedures for performing bank reconciliation have been developed. These procedures ensure that the bank balance is reconciled to the book balance on a timely.

Management is the process of preparing complete and accurate bank reconciliations for all bank accounts for fiscal year 2003-04. Also, steps will be taken to ensure that reconciliation for 2004-05 are current and that future reconciliations are prepared no later than the 15<sup>th</sup> of each month.

**Person responsible for corrective action**

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Email:

**Anticipated completion Date: May 1, 2005**

**REFERENCE NO. AND TITLE: 2004-04CASH RECEIPTS/REVENUES FUNCTION  
AND TRANSACTIONS**

**MANAGEMENT'S RESPONSE**

Management concurs that adequate controls were not implemented to ensure that all cash receipts and revenues were properly recorded timely and accurately.

Management has developed written procedures that ensure the following:

- Incoming checks are properly endorsed with the depository stamp at the initial point of receipt
- All funds are deposited intact and timely.
- Cash receipts received via mail or ACH are properly recorded in the accounting records timely

Effective immediately, management will discontinue forwarding funds received by the School Board directly to investment agencies. Proper accounting entries will be made for any funds invested or deposited into a saving account.

Management will take the necessary steps to correct all cash receipt errors in the accounting records upon completion of bank reconciliations for fiscal year 2003-04.

**Person responsible for corrective action:**

Sidney Stewart  
Accountant  
City of Baker School System  
3033-C Ray Weiland Drive  
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Telephone Number: (225) 778-2376  
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**Anticipated completion Date: May 15, 2005**

**REFERENCE NO. AND TITLE: 2004-5 HUMAN RESOURCES AND PAYROLL**

**MANAGEMENT'S RESPONSE**

Management concurs. Management has take been steps to ensure proper segregation of human resources and payroll functions by hiring an additional staff person in the Human Resources and Payroll Sections. System access will be aligned with the duties of persons in these Sections. Persons responsible for payroll will no longer have system capability to update or change payroll master file and leave records. The responsible for time and attendance information will be vested with timekeepers at each school.

The Human Resource Section will revised it filing system to ensure that proper personnel records are in each employee's file, and oversight of all personnel files will be strictly controlled.

The responsibility of ensuring that all timesheets are properly completed is delegated to the principal at each school. A letter reminding principals of this responsibility and procedures for handling leaves will be sent by the Superintendent no later than April 4, 2005.

Procedures governing human resources and payroll duties are in the process of being developed

**Persons responsible for corrective action:**

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Shelia Lambert  
Human Resources Manager  
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**Anticipated completion Date: July 1, 2005**

**REFERENCE NO. AND TITLE: 2004-6 CONVERSION TO NEW FINANCIAL ACCOUNTING SYSTEM**

**MANAGEMENT'S RESPONSE**

Management will take steps to engage the service of the Accounting System's vendor to assist with the post implementation review of the system and provide recommendation to improve the effectiveness and efficiency of the system. The vendor has given the School Board a tentatively date of April 25, 2005 to begin performing the contracted services. Management believes that many of the inaccuracies will be identified during the reconstruction of bank reconciliations for fiscal year 2003-04.

**Person responsible for corrective action:**

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**Anticipated completion Date: June 30, 2005**

**REFERENCE NO. AND TITLE: 2004-7 FAILURE TO ESTABLISH DEBT  
SERVICE FUND**

**MANAGEMENT'S RESPONSE**

Management has established a Debt Service Fund in the general ledger. The Accounting Staff will review guidelines promulgated by Governmental Accounting Standard Board for recording debt service transactions, and adjust record accordingly.

**Person responsible for corrective action**

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Email:

**Anticipated completion Date: May 1, 2005**

**REFERENCE NO. AND TITLE: 2004-8 JOURNAL ENTRIES**

**MANAGEMENT'S RESPONSE**

Many of journal vouchers prepared during the fiscal year was due to improper use of the system to record cash receipt transactions. Management has taken steps to ensure that cash receipts transactions are posted to the accounting system via the Cash Receipts Module, thereby restricting journal voucher to be use to correct errors. Also, the following steps relative to preparing, approving, and recording journal vouchers have been implemented to eliminate persons from posting journal voucher in errors:

- Journal Voucher Forms have been developed.
- Proper supporting documents must accompany all vouchers prepared.
- Fully explanation for the need of entries must be stated on the voucher
- The accounting employee's supervisor must approve all vouchers prepared.
- System access to posted vouchers will be limited and controlled

**Person responsible for corrective action**

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**Anticipated completion Date: March 28, 2005**

**REFERENCE NO. AND TITLE: 2004-9 NONCOMPLIANCES WITH BUDGET LAWS**

**MANAGEMENT'S RESPONSE**

Management will take steps to ensure the 2005-06 Budget is prepared, approved, and controlled in accordance with Louisiana Revised Statute 39:1301.

For the 2004-05 fiscal year, steps will be taken to separate the general fund budget from Special Revenue Budgets. Special Revenue Budgets will be amended to reflect new awards received after the original budgets were approved by the Board. These budgets will be presented to the Board for approval at the Board' May 17, 2005 Meeting.

**Person responsible for corrective action**

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**Anticipated completion Date: May 18, 2005; Ongoing**

**REFERENCE NO. AND TITLE: 2004-10 INTERIM FINANCIAL REPORTING**

**MANAGEMENT'S RESPONSE**

Effective Fiscal Year 2005-06, management will ensure that interim Financial Reports are provided to the Superintendent and Board on a regular and timely basis.

**Person responsible for corrective action**

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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-11 INVESTMENTS**

**MANAGEMENT'S RESPONSE**

Management will ensure that all state and board policies relative to investments are adhered to and proper accounting and controls are adhered to. Additionally, a review of investment options will be done to determine if funds deposited with Louisiana Asset Management Pool Inc. should continue.

Management will discontinue depositing checks remitted and payable to the School Board directly into the account established with Louisiana Asset Management Pool, Inc.

**Person responsible for corrective action**

Keith Johnson  
Director of Support Services  
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**Anticipated completion Date: June 30, 2005**

**REFERENCE NO. AND TITLE: 2004-12 PROCUREMENT PROCEDURES AND CASH**

**DISBURSEMENT FUNCTIONS**

**MANAGEMENT'S RESPONSE**

Management concurs with finding. Procurement and Accounts Payable procedures have been revised to include the following:

- The procurement process has been centralized effective March 21, 2005.
- A multiple copy purchase orders will be printed with copies being distributed as follows:
  - Vendor's Copy
  - Procurement Officer's Copy File
  - Receiving Report Copy
  - Payable Copy
  - Requestor's Copy
- The Procurement Officer's file will include the requisition, price quotation or bid and a copy of the purchase order
- Purchase orders will only be processed for payment upon the receipt of the original vendor's invoice and a signed Receiving Report
- Invoices will be verified for extensions and clerical errors and defaced at time checks are processed.
- Payment documents will be batched and filed by Payable Voucher number.
- The Payable Vouchers will accompany checks forwarded to the Superintendent and Board President for signing.

Currently, the detailed budgets for Special Revenue Funds are posted to the Accounting System and table profile is established to prevent overspending by line items. However, this control has not been established for the General Fund. For fiscal year 2005-06, these controls will be implemented for all disbursement funds.

**Person responsible for corrective action**

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Email:

**Anticipated completion Date: July 1, 2005**

**REFERENCE NO. AND TITLE: 2004-13 FAILURE TO RECONCILE AND ANALYZE CERTAIN**

**GENERAL LEDGER ACCOUNTS**

**MANAGEMENT'S RESPONSE**

Procedures will be implemented to ensure all payroll-withholding accounts and reports are reconciled to the general ledger on a monthly basis. Additionally, after posting bank reconciliations adjustments all general ledger accounts will be analyzed. Procedures will be developed to ensure that ongoing and timely analyses of accounts are prepared.

**Person responsible for corrective action**

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**Anticipated completion Date: June 30, 2005**

**REFERENCE NO. AND TITLE: 2004-14 OTHER FINANCING USES**

**MANAGEMENT'S RESPONSE**

Management will ensure that all transactions are prepared and posted to the accounting records in conformity with general accepted accounting principles. The errors cited by the auditor will be corrected.

**Person responsible for corrective action**

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**Anticipated completion Date: June 30, 2005**

**REFERENCE NO. AND TITLE: 2004-15 STUDENT ACTIVITY ACCOUNTS**

**MANAGEMENT'S RESPONSE**

Procedures are currently being developed to ensure student activity accounts are monitored and adequate oversight is provided on a continuance basis. A copy of the procedures will be disseminated to all parties involved to ensure that they are aware of their responsibilities relative to student activity accounts.

**Person responsible for corrective action**

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**Anticipated completion Date: May 1, 2005; Ongoing**

**REFERENCE NO. AND TITLE: 2004-16 SPECIAL REVENUE FUND BILLINGS**

**MANAGEMENT'S RESPONSE**

Effectively immediately, requests for reimbursement will be submitted to the funding agencies by the 15<sup>th</sup> of each month.

**Person responsible for corrective action**

Sidney Stewart  
Accountant  
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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-17 INADEQUATE ACCESS CONTROL OVER  
FINANCIAL INFORMATION SYSTEM**

**MANAGEMENT'S RESPONSE**

An audit of the accounting system access granted to all employees will be conducted. Assurance will be made that access is aligned with the duties and responsibilities of employees. Procedures will be developed that as staff persons' job functions or employment changes the accounting system access will be changed.

**Person responsible for corrective action**

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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-18 LATE SUBMISSION OF THE AUDIT REPORT**

**MANAGEMENT'S RESPONSE**

An annual closing schedule, which outlines all tasks to be performed, timelines for completion and the person responsible for completing the task, will be developed. The schedule will be closely monitored. Additionally, a checklist of monthly tasks will be developed and disseminated to appropriate persons to ensure that financial records are complete and accurate and transactions are timely recorded.

**Person responsible for corrective action**

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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-19 SUPPORT DOCUMENTATION FOR  
EXPENDITURES/DISBURSEMENTS (National School Lunch Program)**

**MANAGEMENT'S RESPONSE**

Steps will be taken to ensure that involved parties adhered to the provisions per OMB Circular A-87. As stated in Management's response to finding 2004-12, steps have been taken to eliminate deficiencies cited relative cash disbursement transactions.

**Person responsible for corrective action**

Sidney Stewart  
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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-20 SUPPORT DOCUMENTATION FOR  
EXPENDITURES/DISBURSEMENTS (Title I Grants to Local Educational Agencies)**

**MANAGEMENT'S RESPONSE**

Steps will be taken to ensure that involved parties adhered to the provisions per OMB Circular A-87. As stated in Management's response to finding 2004- , steps have been taken to eliminate deficiencies cited relative cash disbursement transactions.

**Person responsible for corrective action**

Sidney Stewart  
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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-21 MAINTENANCE OF PROPERTY  
RECORDS (Title I Grants to Local Educational Agencies)**

**MANAGEMENT'S RESPONSE**

As emulated in Management's response to finding 2004-1, steps are being taken to eliminate deficiencies relative to the accountability and monitoring of fixed assets. All equipments purchased with federal funds will be appropriate tagged and recorded in compliance with regulations.

**Person responsible for corrective action**

Wayne Dyer  
Computer Technician  
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**Anticipated completion Date: Ongoing**

**REFERENCE NO. AND TITLE: 2004-22 EMPLOYEE CERTIFICATION**

**MANAGEMENT'S RESPONSE**

Management will take the necessary steps to require that semi-annually certification be completed and approved by the appropriate supervisor for all persons employed solely on federal programs. For persons working on multiple federal programs requirements, an annual report of the percentage of time spent based on job assignment will be done. Each month the employees will certify the accurate of the percentage or made changes in the percentage, if allocation of job assignment is made. Salary will be distributed based on the monthly certification.

**Person responsible for corrective action**

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**REFERENCE NO. AND TITLE: 2004-23 COMPARABILITY REPORTING**

**MANAGEMENT'S RESPONSE**

The Superintendent has appointed a committee to devise an employee compensation packages at all levels of employees. Upon completion of the plan, action will be taken to develop a district wide salary schedule.

Steps will be taken for the School Board to adopt a policy to ensure equivalence among schools in teachers, administrators, and office staff; and a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

**Person responsible for corrective action**

Barbara Parker  
Supervisor of Federal Programs  
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**STATE REPORTING SECTION**

**Schedules Required by State Law**  
**(R.S. 24:514 Performance and Statistical Data)**

**Melvin L. Davis**  
**Certified Public Accountant**

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Independent Accountant's Report  
On Applying Agreed-Upon Procedures

To the Members of the  
City of Baker School Board  
Baker, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the City of Baker School Board (School Board) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

My procedures and findings relate to the accompanying schedules of supplementary information and are as follows:

**General Fund Instructional and Support Expenditures and  
Certain Local Revenue Sources (Schedule 1)**

1. I selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - Total General Fund Instructional Expenditures
  - Total General Fund Equipment Expenditures
  - Total Local Taxation revenue
  - Total Local Earnings on Investment in Real Property
  - Total State Revenue in Lieu of Taxes
  - Nonpublic Textbook Revenue
  - Nonpublic Transportation Revenue

My review of transactions disclosed that local revenues from constitutional ad valorem and renewal ad valorem taxes were overstated by \$56,924 and \$434,901, respectively. This occurred because the School Board erroneously recorded the ad valorem tax revenue that was actually due to the East Baton Rouge Parish School Board, per an Intergovernmental Agreement dated July 25, 2003. Also, \$24,004 of ad valorem taxes was recorded in error as revenue, when the funds were not both measurable and available as required by generally accepted accounting principles.

**Education Levels of Public School Staff (Schedule 2)**

2. I reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to the school board supporting payroll records as of October 1, 2003.

My reconciliation of the total number of full-time classroom teachers per the schedule to the payroll records as of October 1, 2003, resulted in 139 full-time classroom teachers, rather than the 142 reported on the schedule.

3. I reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant per this schedule.

No exceptions were noted.

4. I obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2003 and as reported on the schedule. I traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

No exceptions were noted.

**Number and Type of Public Schools (Schedule 3)**

5. I obtained a list of schools by type as reported on the schedule. I compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No exceptions were noted.

**Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)**

6. I obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2003 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No exceptions were noted.

**Public Staff Data (Schedule 5)**

7. I obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No exceptions were noted.

8. I recalculated the average salaries and full-time equivalents reported in the schedule.

No exceptions were noted.

#### **Class Size Characteristics (Schedule 6)**

9. I obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. I then traced a random sample of 10 classes to the October 1, 2003 roll books for those classes and determined if the class was properly classified on the schedule.

The following differences were noted between the Schedule 6 – Class Size Characteristics and supporting documentation provided to auditor:

- Elementary – Class range (1-20) – Schedule shows 16 classes, documentation lists 22 classes.
- Elementary Activity Classes – No support documentation was provided.
- Middle – Class range (1-20) – Schedule shows 49 classes, documentation lists 46 classes.
- Middle – Class range (21-26) – Schedule shows 46 classes, documentation lists 41 classes.
- Middle – Class range (27-33) – Schedule shows 49 classes, documentation lists 40 classes.
- High School – class range (1-20) – Schedule shows 162, documentation lists 102 classes.
- Combination and Combination Activity Classes – No support documentation was provided.

In seven instances, the roll books were not completed in a manner that would allow the verifying class size on October 1, 2003.

#### **Louisiana Educational Assessment Program (LEAP) for the 21<sup>st</sup> Century (Schedule 7)**

10. I obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

No exceptions were noted.

#### **The Graduation Exit Exam for the 21<sup>st</sup> Century (Schedule 8)**

11. I obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

No exceptions were noted.

#### **The IOWA Tests (Schedule 9)**

12. I obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

No exceptions were noted.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City of Baker School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Louisiana Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Melvin L. Davis, CPA, LLC*

March 24, 2005

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)**  
**As of and for the Year Ended June 30, 2004**

**Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 – Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant's with less than a Bachelor's; Master's; Master's +30; specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 – Number and type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 – Experience of Public Teachers and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 – Public School Staff Data**

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 – Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 7 – Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and including summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes one year of data.

**Schedule 8 – The Graduation Exit Exam**

This schedule represents student performance testing data and including summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes one year of data.

**Schedule 9 – The IOWA Tests**

This schedule represents student performance testing data and including summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes one year of data.

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2004**

**General Fund Instructional and Equipment Expenditures**

## General Fund Instructional Expenditures:

## Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 4,541,357	
Other Instructional Staff Activities	263,099	
Employee Benefits	1,172,995	
Purchased Professional and Technical Services	825	
Instructional Materials and Supplies	192,737	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$ 6,171,013

## Other Instructional Activities

-

## Pupil Support Activities

761,187

## Less: Equipment for Pupil Support Activities

-

## Net Pupil Support Activities

761,187

## Instructional Staff Services

366,124

## Less: Equipment for Instructional Staff Services

-

## Net Instructional Staff Services

366,124

## Total General Fund Instructional Expenditures

\$ 7,298,324

## Total General Fund Equipment Expenditures

\$ 22,909**Certain Local Revenue Sources**

## Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ 116,440
Renewable Ad Valorem Tax	889,600
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	2,499,378
Total Local Taxation Revenue	\$ 3,505,418

## Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	-

## State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	-
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	-

## Nonpublic Textbook Revenue

-

## Nonpublic Transportation Revenue

-

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**Education Levels of Public School Staff**  
**As of October 1, 2003**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	5		7					
Bachelor's Degree	75		1					
Master's Degree	34				6			
Master's Degree + 30	18				2			
Specialist in Education	1							
Ph. D. or Ed. D.	1				1			
<b>Total</b>	<b>134</b>		<b>8</b>		<b>9</b>			

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**Number and Type of Public Schools**  
**For the Year Ended June 30, 2004**

<b>Type</b>	<b>Number</b>
Elementary	3
Middle/Jr. High	1
Secondary	1
Combination	
<b>Total</b>	<b>5</b>

Note: Schools opened or closed during the fiscal year are included in this schedule.

**CITY OF BAKER SCHOOL BOARD  
Baker, Louisiana**

**Experience of Public Principals and Full-time Classroom Teachers  
As of October 1, 2004**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals		1	1				2	4
Principals				1			4	5
Classroom Teachers	25	22	42	10	6	11	23	139
<b>Total</b>	25	23	43	11	6	11	29	148

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**Public School Staff Data**  
**For the Year Ended June 30, 2004**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC and Rehired Retirees</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	34,459.73	33,521.74
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	33,142.73	32,147.15
<b>Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries</b>	138	127

**Note:** Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

**CITY OF BAKER SCHOOL BOARD  
Baker, Louisiana**

**Class Size Characteristics  
As of October 1, 2003**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	35%	16	46%	21	17%	8	2%	1
Elementary Activity Classes	32%	14	48%	21	18%	8	2%	1
Middle/Jr. High	35%	49	31%	46	34%	49		
Middle/Jr. High Activity Classes	15%	3	26%	5	47%	9	10%	2
High	66%	162	19%	48	14%	35	1%	1
High Activity Classes	92%	65	2.0%	1	4.0%	3	2.0%	1
Combination	91%	11	9.0%	1		0		
Combination Activity Classes	25.0%	3	50%	6	17%	2	8.0%	1

**Note:** The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

**Louisiana Educational Assessment Program (LEAP) for the 21st century**  
**For the Year Ended June 30, 2004**

District Achievement Level Results	English Language Arts		Mathematics	
	2004		2004	
Students	Number	Percent	Number	Percent
<b>Grade 10</b>				
Advanced	2	1%	0	0%
Mastery	15	7%	13	6%
Basic	74	35%	59	28%
Approaching Basic	52	25%	62	30%
Unsatisfactory	67	32%	76	36%
Total	210	100%	210	100%

District Achievement Level Results	Science		Social Studies	
	2004		2004	
Students	Number	Percent	Number	Percent
<b>Grade 11</b>				
Advanced	0	0%	0	0%
Mastery	12	8%	14	10%
Basic	47	32%	65	45%
Approaching Basic	41	28%	45	31%
Unsatisfactory	45	31%	21	14%
Total	145	100%	145	100%

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**The Graduation Exit Exam for the 21st Century**  
**For the Year Ended June 30, 2004**

District Achievement Level Results	English Language Arts		Mathematics	
	2004		2004	
	Number	Percent	Number	Percent
<b>Students</b>				
<b>Grade 10</b>				
Advanced	0	0%	0	0%
Mastery	10	8%	11	9%
Basic	41	34%	33	26%
Approaching Basic	32	27%	25	20%
Unsatisfactory	37	31%	57	45%
<b>Total</b>	<b>120</b>	<b>100%</b>	<b>126</b>	<b>100%</b>

District Achievement Level Results	Science		Social Studies	
	2004		2004	
	Number	Percent	Number	Percent
<b>Students</b>				
<b>Grade 11</b>				
Advanced	1	1%	0	0%
Mastery	8	6%	9	7%
Basic	41	30%	57	41%
Approaching Basic	46	34%	48	35%
Unsatisfactory	41	30%	24	17%
<b>Total</b>	<b>137</b>	<b>100%</b>	<b>138</b>	<b>100%</b>

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

**The IOWA Tests**  
**For the Year Ended June 30, 2004**

	<b>Composite</b>
	2004
<b>Test of Basic Skills (ITBS)</b>	
Grade 3	40
Grade 5	43
Grade 6	35
Grade 7	37
<b>Tests of Educational Development (ITED)</b>	
Grade 9	40

Scores are reported by National Percentile Rank. A student's National Percentile Rank shows the student's relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. A student with a score of 72 indicates that the student scored the same or better than 72 percent of the students in the norm group.