

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

**Financial Report
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 2-2-05

CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

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CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

City of Monroe School Board Monroe, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **City of Monroe School Board** (the School Board) as of and for the year ended June 30, 2004, which collectively comprise the School Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Monroe School Board, as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004 on our consideration of the School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**City of Monroe School Board
Independent Auditors' Report**

The "Management's Discussion and Analysis" presented on pages 4 through 13 and the "Budgetary Comparison Schedules" presented on pages 50 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe School Board's basic financial statements. The accompanying Supplemental Information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, the Schedule of Compensation Paid Board Members and the Combining Non Major Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



(A Professional Accounting Corporation)

December 20, 2004

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

CITY OF MONROE SCHOOL BOARD
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

We offer readers of the City of Monroe School Board's financial statements this narrative overview and analysis of the financial activities of the City of Monroe School Board for the fiscal year ended June 30, 2004. It is designed to assist the reader in focusing on significant financial issues and identifying changes in the School Board's financial position.

Financial Highlights

City of Monroe School Board eliminated its operating deficits during fiscal year 2003-2004.

Other financial highlights for the 2003-04 fiscal year include the following:

- Statement of Net Assets – The assets of the City of Monroe School Board exceeded its liabilities at the close of the most recent fiscal year by \$19,299,742 (net assets).
- Statement of Activities – The total net assets of the City of Monroe School Board increased by \$2,432,347 for the year ended June 30, 2004.
- Governmental Funds Balance Sheet – As of the close of the 2003-2004 fiscal year, the City of Monroe School Board's governmental funds reported combined ending fund balance of \$14,931,775, a decrease of \$3,381,716 in comparison with the prior fiscal year. The majority of this fund balance is comprised of approximately (1) \$4.0 million which is reserved for capital projects within the Capital Projects Fund, (2) \$7.9 million which is reserved for debt service, (3) \$1.9 million reserved for salaries and related benefits, and (4) \$1.0 million unreserved.
- Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Total revenues for the year ended June 30, 2004 for the governmental funds of the City of Monroe School Board amounted to \$80,252,329. Approximately 80% of this amount is received from three major revenue sources: (1) \$28.6 million from Minimum Foundation Program, (2) \$13.6 million from local ad valorem taxes, and (3) \$22.2 million from local sales and use taxes.
- General Fund's Ending Fund Balance – At the end of the fiscal year, the fund balance for the General Fund was a \$17,627. This is the first time the General Fund has shown a positive fund balance in ten years.
- Capital Assets – Total capital assets (net of depreciation) were \$67,763,725 or 73% of the total assets. The City of Monroe School Board uses these assets to provide educational services to children and adults; consequently, these assets are not available for future spending.

- Long-Term Debt – The School Board’s total debt decreased by approximately \$3,130,000. Debt on bonds and certificates of indebtedness decreased by \$3,490,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board’s basic financial statements. City of Monroe School Board’s basic financial statements are comprised of 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 City of Monroe School Board’s finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the 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 City of Monroe School Board is improving or deteriorating.
- The Statement of Activities presents information showing how the School Board’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 (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monroe 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 City of Monroe School Board can be divided into two categories: governmental funds and fiduciary 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 at the end of the fiscal year. Such information may be useful in evaluating the City of Monroe School Board near-term financing requirements.

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 City of Monroe School Board’s near-term financing decision. Both the

governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Monroe School Board maintains fifteen governmental fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Sales Tax, Bond Redemption Debt Service and Capital Projects Funds, all of which are considered to be major funds. Data for the other eleven governmental fund groups 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 City of Monroe School Board adopts an annual appropriated budget for its General Fund and certain Special Revenue Funds and the district-wide Capital Projects Fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City of Monroe School Board. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Monroe School Board's own programs. The School Board maintains one fiduciary fund named the School Activity Fund.

Notes to the basic 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School Board's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Monroe School Board, assets exceed liabilities by \$19.3 million at the close of the most recent fiscal year.

The largest portion of the City of Monroe School Board's total assets totaling more than \$92 million reflects its investment in capital assets of \$67.8 million (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The School Board uses these capital assets to provide educational services to children and adults; consequently, these assets are not available for future spending. Although the City of Monroe 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.

City of Monroe School Board's Net Assets

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current and other assets	\$ 25,230,185	\$ 28,689,953
Capital assets	<u>67,763,725</u>	<u>66,767,781</u>
Total assets	<u>92,993,910</u>	<u>95,457,734</u>
Current and other liabilities	10,340,127	14,732,634
Long-term liabilities	<u>63,354,041</u>	<u>62,145,698</u>
Total liabilities	<u>73,694,168</u>	<u>76,878,332</u>
Net assets:		
Invested in capital assets, net of related debt	5,564,187	1,710,798
Restricted	13,792,704	9,955,649
Unrestricted	<u>(57,149)</u>	<u>5,200,948</u>
Total net assets	<u>\$19,299,742</u>	<u>\$ 16,867,395</u>

Restricted net assets of \$13,792,704 are reported separately to show the legal constraints for the payment of outstanding long-term debt obligations and to limit the School Board from using these funds for day-to-day operations. Debt Service Funds account for \$7,900,795 of the total, with capital projects accounting for \$4,012,581. The remaining balance is monies restricted for salaries and benefits.

Governmental activities increased the City of Monroe School Board's net assets by \$2,432,347. Key elements of this increase are as follows:

City of Monroe School Board's Changes in Net Assets

	<u>Year Ended June 30, 2004</u>	<u>Year Ended June 30, 2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 358,006	\$ 393,665
Operating grants & contributions	14,882,854	13,721,100
General revenues:		
Ad valorem taxes	13,602,396	14,179,569
Sales taxes	22,157,232	22,052,700
Minimum Foundation Program	28,590,853	27,574,024
Interest on investments	185,005	439,855
Other general revenues	<u>323,794</u>	<u>340,439</u>
Total revenues	<u>80,100,140</u>	<u>78,701,352</u>
Expenses:		
Instruction	46,071,114	42,021,749
Support services:		
Pupil Support Services	2,458,435	2,218,684
Instructional Staff Support	3,969,716	4,422,808
General administration	1,824,301	1,874,881
School administration	3,513,460	3,315,534
Business services	861,897	822,821
Plant services	5,940,693	4,961,571
Student transportation services	2,581,485	2,604,698
Central services	1,182,780	1,778,833
School food services	4,576,756	4,090,271
Facility acquisition and construction	1,685,624	1,538,386
Debt service – interest on long-term obligations	<u>3,001,532</u>	<u>3,432,189</u>
Total expenses	<u>77,667,793</u>	<u>73,082,425</u>
Increase in net assets	<u>\$ 2,432,347</u>	<u>\$ 5,618,927</u>

Governmental Activities

Expenses are classified by functions/programs. Instructional services for fiscal 2004 totaled \$46,071,114, compared to a total of \$42,021,749 for 2003. The remaining functions are considered support services and relate to those functions that support the instructional services provided, such as pupil support, instructional staff support, administration, transportation, food services, and plant services. Support services for fiscal 2004 totaled \$26,909,513 compared to \$26,090,101 for 2003.

The remaining expenditures of \$4,687,156 consist of \$1,685,624 of facility acquisition and construction and \$3,001,532 of interest expense on long-term obligations.

The related program revenues for fiscal 2004 directly related to these expenses totaled \$14,882,854, which along with \$358,006 in charges for such services, resulted in net program expenses of \$62,426,933. The balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- **Minimum Foundation Program (MFP)** – MFP is the funding formula for the 66 school districts in the state of Louisiana. The School Board received \$28,590,853 in MFP funds in 2003-2004. This amounts to 36% of the total revenues received by the School Board.
- **Sales Tax revenues** – sales tax revenues are the second largest source of revenue for the School Board, generating \$22,157,232 in revenue, or 28% of total revenue.
- **Ad Valorem tax revenues** – Ad valorem, or property tax revenues, the third largest source of revenues, accounts for 17% of total revenues or \$13,602,396.

Financial Analysis of Governmental Funds

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

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

- As of the close of the current fiscal year, the City of Monroe School Board's governmental funds reported a combined ending fund balance of \$14,931,775 a decrease of \$3,381,716 in comparison with the prior fiscal year. The primary reason for the decrease is due to the decrease in the Capital Project Fund balance of \$4,367,394.
- The General Fund is the chief operating fund of the City of Monroe School Board. At the end of the current fiscal year, the fund balance of the General Fund was \$17,627. The Debt Service Funds have a total fund balance of \$7,900,795 all of which is reserved for the payment of debt service.
- The Sales Tax Funds have a total fund balance of \$2,968,529, a net decrease of \$744,386.
- The Capital Project Fund has a fund balance of \$4,012,581. The \$4.4 million decrease mentioned earlier is due to the construction projects that occurred during 2003-2004.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S 39:1301 et seq), the City of Monroe School Board must adopt a budget for the General Fund and all Special Revenue funds prior to September 15th. The original budget for the School Board was adopted on September 9, 2003, and the final budget amendment was adopted on September 14, 2004.

The original budget projected a reduction of the General Fund deficit by approximately \$153,000 and was later amended to reflect a reduction of approximately \$679,000 in the deficit with a \$47,169 fund balance. This change was largely due to the anticipated increase in MFP revenues. The final revised budget projected net revenue over expenditures in the amount of \$948,286, with the actual net revenue coming in at \$745,578. This difference is due to transfers in of \$133,000 more than projected and expenses of \$467,000 more than projected. Again, the general fund shows a positive fund balance for the first time in about ten years.

Capital Assets and Debt Administration

Capital Assets: The City of Monroe School Board's investment in capital assets as of June 30, 2004, amounts to \$67,763,725 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

City of Monroe School Board's Capital Assets (Net of depreciation)

	<u>2004</u>	<u>2003</u>
Land	\$ 1,483,883	\$ 1,345,809
Buildings, building improvements and land	59,096,522	54,844,331
Furniture and equipment	4,963,926	5,360,478
Construction in progress – buildings	<u>2,219,395</u>	<u>5,217,163</u>
Total	<u>\$67,763,726</u>	<u>\$66,767,781</u>

Debt:

**City of Monroe School Board Outstanding Debt
As of June 30, 2004**

	<u>Balance June 30, 2004</u>	<u>Balance June 30, 2003</u>
General Obligation Bonds:		
Series 1994 (refinanced 2001)	\$ -	\$ 1,485,000
Series 1995 (refinanced 2003)	1,230,000	2,380,000
School Refunding Bonds		
Series 2001	22,090,000	22,255,000
Series 2003	19,310,000	19,480,000
Sales Tax Bonds		
Series 2001	11,625,000	12,000,000
Series 2002	6,000,000	6,000,000
Certificates of Indebtedness, 1998	<u>840,000</u>	<u>985,000</u>
Total	<u>\$ 61,095,000</u>	<u>\$ 64,585,000</u>

The 1994 General Obligation Bonds were issued for the purpose of acquiring and/or improving lands for building sites and playgrounds, including construction of necessary sidewalks; purchasing, erecting and/or improving school buildings and other school related facilities. These bonds were refinanced in 2001.

The 1995 General Obligation Bonds were issued for additional improvements, in addition to the improvements made with the 1994 GOB money. These bonds were refinanced in 2003.

Sales Tax Revenue Bonds 2001 & 2002 issues were issued for the purpose of capital improvements including classroom additions, junior high school gymnasiums, improvements to high school stadiums, three high school all-weather tracks, and other improvements as determined.

In 2003, the School Board entered into a five-year lease for the purchase of 15 buses and in 2004 the School Board entered into a lease for approximately 790 computers. Other long-term liabilities include accrued vacation pay and sick leave. Details about long-term obligations are presented in the notes to the financial statements.

Future Operations

Monroe City Schools has operated with a deficit in the General Fund for the past ten years. This deficit grew to a high of \$2,691,343 for the fiscal year ended 2001. Eliminating this deficit, while simultaneously improving the quality of education provided to students, has proved to be a great challenge to the School Board. However, the School Board has risen to this challenge and

has made great strides in eliminating this deficit during the past two years, with the elimination of all deficits during 2003-2004. School Food Service was the other fund with an operating deficit, which was also eliminated.

The General Fund ended fiscal year 2002-2003 with a deficit fund balance of approximately \$728,000, and fiscal year 2003-2004 with a fund balance of just under \$20,000. The elimination of the deficit represents great effort on the part of Monroe City Schools, especially in light of continued increases in expenditures associated with Board operations. In addition to increased expenditures, the School Board had to make allowances for declines in revenue. Most of this decline in General Fund revenue resulted from the continued decline in student enrollment. The loss of students results in a loss of funding through the State's Minimum Foundation Program. State Minimum Foundation Program Funding, which accounts for 36% of total revenue, is largely based on the number of students served by the Board. Again, the Board and administration of Monroe City Schools has risen to the challenge and is committed to sound fiscal management.

The Board adopted a balanced budget for the General Fund for 2004-2005 that projected revenue over expenses in the amount of \$131,149. The Board has seen a 2.5% decline in student enrollment for the 2004-2005 school year. The Board spent considerable time assessing staffing needs in relation to student count for the 2004-2005 school year. The administration and board realigned staff where possible to ensure sound fiscal management. Additionally, the Board has adopted a one time retirement incentive plan for 2004-2005 that is intended to significantly reduce personnel related expenses.

The increased cost of health insurance for School Board employees and the employer's share of retirement contributions continue to cause significant increases in expenditures.

Increased Health insurance costs:

Monroe City Schools participates in the state managed health care program. The School Board incurs expenses for its portion of employees health care cost. The State Group health care program has continued to see premium increases averaging 10% per year for over five consecutive years. Increases in the costs of employee health care will continue to have a significant impact on expenditures.

Mandated contributions to Retirement systems

For several years, School Employees Retirement System discontinued the School Board's matching portion to the retirement system based on actuarial recommendations. In fiscal year 2003-2004, School Employees Retirement System reinstated the employer's matching portion at the rate of 8.5 percent for salaries for Custodians and Bus Drivers. In 2004-2005 the employer contribution rate was increased to 14.8%. Also, the Teachers Retirement System increased its employer contribution rate from 13.8% to 15.5% of applicable salaries.

Overall, Monroe City Schools continues to make both academic and fiscal improvements throughout the District.

Contacting the School Board's Financial Management

If you have questions about this report or need additional financial information, contact Derenda Flowers, Chief Financial Officer of the City of Monroe School Board, P. O. Box 4180, Monroe, LA 71211-4180, or call at (318) 325-0601.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Net Assets
Governmental Activities**

June 30, 2004

Assets:	
Cash and cash equivalents	\$ 14,808,576
Investments	250,000
Receivables:	
Ad valorem taxes	43,675
Sales and use taxes	2,750,408
Federal grants	5,600,774
State grants	462,096
USF Reimbursement	310,649
Other	42,760
Bond issuance costs, net	769,103
Inventory	160,525
Other Assets	31,619
Capital assets, net:	
Land	1,483,883
Buildings and improvements	59,096,522
Furniture and equipment	4,963,925
Construction in progress	2,219,395
Total assets	<u>92,993,910</u>
Liabilities:	
Accounts payable	2,514,852
Salaries and wages payable	6,176,976
Deferred revenue	837,478
Interest payable - bonds	810,821
Long-term liabilities:	
Due within one year	5,280,565
Due in more than one year	58,073,476
Total liabilities	<u>73,694,168</u>
Net assets:	
Invested in capital assets, net of related debt	5,564,187
Restricted for:	
Debt service	7,900,795
Salaries and related benefits	1,879,328
Unrestricted	3,955,432
Total net assets	<u>\$ 19,299,742</u>

See accompanying notes to the basic financial statements

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Activities
Governmental Activities**

Fiscal Year Ended June 30, 2004

	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Functions/programs:					
Current					
Instructional services:					
Regular programs	\$ 29,447,328	-	1,015,482	141,933	\$ (28,289,913)
Special education programs	10,655,026	-	1,134,472	28,202	(9,492,352)
Vocational programs	180,682	-	240,261	76,295	135,874
Other instructional programs	1,091,830	79,722	442,339	-	(569,769)
Special programs	4,274,972	-	4,560,497	20,052	305,577
Adult/continuing education	421,276	-	59,324	-	(361,952)
Support services:					
Pupil support services	2,458,435	-	949,502	-	(1,508,933)
Instructional staff support services	3,969,716	-	1,858,439	6,747	(2,104,530)
General administration	1,824,301	-	2,925	-	(1,821,376)
School administration	3,513,460	-	571,561	-	(2,941,899)
Business services	861,897	-	10,181	-	(851,716)
Plant services	5,940,693	-	403,175	11,600	(5,525,918)
Student transportation services	2,581,485	-	40,377	-	(2,541,108)
Central services	1,182,780	-	-	-	(1,182,780)
Noninstructional services:					
Food service operations	4,576,756	278,284	3,294,894	14,596	(988,982)
Facility acquisition and construction	1,685,624	-	-	-	(1,685,624)
Debt service:					
Interest on long-term obligations	3,001,532	-	-	-	(3,001,532)
Total Governmental Activities	\$ 77,667,793	\$ 358,006	\$ 14,583,429	\$ 299,425	(62,426,933)
General revenues:					
Taxes:					
Ad valorem taxes levied for:					
General purposes					8,259,966
Debt service purposes					5,342,430
Sales taxes levied for:					
General purposes					22,157,232
Grants and contributions not restricted to specific programs:					
Minimum Foundation Program					28,590,853
State revenue sharing					316,827
Interest and investment earnings					185,005
Gain or (loss) on disposals of assets					(252,473)
Other					259,440
Total general revenues					64,859,280
Changes in net assets					2,432,347
Net assets at beginning of year					18,579,402
Adjustment to net assets at beginning of year - Note 4					(1,712,007)
Net assets at beginning of year - restated					16,867,395
Net assets at end of year					\$ 19,299,742

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2004

	MAJOR FUNDS					AGGREGATE REMAINING FUNDS OTHER GOVERNMENTAL	TOTAL
	GENERAL FUND	2001 SALES TAX SPECIAL REVENUE	BOND REDEMPTION DEBT SERVICE	CAPITAL PROJECTS			
Assets:							
Cash and cash equivalents	\$ 701,854	\$ -	\$ 5,659,428	\$ 4,086,592	\$ -	\$ 4,350,323	\$ 14,798,197
Investments	260,379	-	-	-	-	-	260,379
Accounts receivable	481,142	1,966,832	21,214	-	-	783,576	3,252,764
Due from other governments:							
Due from federal sources	-	-	-	-	-	5,572,117	5,572,117
Due from state sources	-	-	-	-	-	385,481	385,481
Due from other funds	5,227,412	-	-	-	-	488,055	5,715,467
Inventory	-	-	-	-	-	160,525	160,525
Other assets	26,888	1,750	-	-	-	2,980	31,618
Total assets	\$ 6,697,675	\$ 1,968,582	\$ 5,680,642	\$ 4,086,592	\$ -	\$ 11,743,057	\$ 30,176,548
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 2,239,100	\$ 95,903	\$ -	\$ 74,011	\$ -	\$ 105,838	\$ 2,514,852
Salaries and wages payable	3,952,893	626,799	-	-	-	1,597,284	6,176,976
Due to other funds	488,055	116,897	-	-	-	5,110,515	5,715,467
Deferred revenue	-	-	-	-	-	837,478	837,478
Total liabilities	\$ 6,680,048	\$ 839,599	\$ -	\$ 74,011	\$ -	\$ 7,651,115	\$ 15,244,773
Fund balances:							
Reserved for debt service	-	-	5,680,642	-	-	2,220,153	7,900,795
Reserved for inventory	-	-	-	-	-	30,331	30,331
Reserved for capital projects	-	-	-	4,012,581	-	-	4,012,581
Reserved for salaries and related benefits	-	508,043	-	-	-	1,371,285	1,879,328
Unreserved:							
Unreserved/undesignated reported in:							
General Fund	17,627	-	-	-	-	-	17,627
Special Revenue Funds	-	620,940	-	-	-	470,173	1,091,113
Total fund balances	17,627	1,128,983	5,680,642	4,012,581	-	4,091,942	14,931,775
Total liabilities and fund balances	\$ 6,697,675	\$ 1,968,582	\$ 5,680,642	\$ 4,086,592	\$ -	\$ 11,743,057	\$ 30,176,548

See accompanying notes to the basic financial statements.

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Balance Sheet to Statement of Net Assets
Fiscal Year Ended June 30, 2004**

Total fund balances - governmental funds		\$ 14,931,775
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in Governmental Funds. The Statement of Net Assets includes those capital assets among the assets of the School Board as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as Governmental Activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 86,280,913	
Accumulated depreciation	<u>(18,517,187)</u>	67,763,726

The costs associated with issuing bonds are reported as expenditures in the Governmental Funds. The issuance costs are not considered financial resources in the Statement of Net Assets; therefore, the costs are reported on the Statement of Net Assets as an asset net of accumulated amortization.

Bond issuance cost	943,104	
Less accumulated depreciation	<u>(174,001)</u>	769,103

Elimination of interfund assets and liabilities

Interfund assets		(5,715,467)
Interfund liabilities		5,715,467

See accompanying notes to the basic financial statements.

(Continued)

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Balance Sheet to Statement of Net Assets (Concluded)
Fiscal Year Ended June 30, 2004**

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term- are reported in the Statement of Net Assets.

Balances at June 30, 2004 are:

Long-term liabilities:

Compensated absences payable	(2,123,060)	
General obligation bonds payable	(42,630,000)	
Sales tax bonds payable	(17,625,000)	
Certificates of indebtedness	(840,000)	
Capital lease	(1,104,538)	
Deferred amount on refunding	1,252,148	
Bond premium	<u>(283,591)</u>	(63,354,041)

Interest on outstanding bonds in the Governmental Funds is recorded as an expenditure when paid. Bond interest in the Statement of Net Assets is recognized as an expense as it accrues.

Accrued interest on outstanding bonds	<u>(810,821)</u>
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Net Assets	\$ <u><u>19,299,742</u></u>
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See accompanying notes to the basic financial statements.

City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Fiscal Years Ended June 30, 2004

	MAJOR FUNDS						AGGREGATE REMAINING FUNDS OTHER GOVERNMENTAL	TOTAL
	GENERAL FUND	2001 SALES TAX		BOND REDEMPTION DEBT SERVICE	CAPITAL PROJECTS			
		REVENUE	SPECIAL REVENUE					
REVENUES								
Local sources:								
Ad valorem taxes	\$ 8,259,966	\$ -	\$ 5,342,430	\$ -	\$ -	\$ -	13,602,396	
Sales and use taxes	-	11,966,781	-	-	-	10,190,451	22,157,232	
Earnings on investments	27,458	3,596	50,851	49,692	-	53,411	185,008	
Cash payments for meals	-	-	-	-	-	278,284	278,284	
Other local revenue	505,224	-	4,982	-	-	-	510,206	
State sources:								
State equalization	28,190,853	-	-	-	-	400,000	28,590,853	
Revenue sharing	316,827	-	-	-	-	-	316,827	
Professional Improvement Program	359,915	-	-	-	-	-	359,915	
State contribution for teacher retirement	39,316	-	-	-	-	-	39,316	
Restricted grants-in-aid	147,511	-	-	-	-	1,642,435	1,789,946	
Federal sources:								
Federal Restricted grants-in-aid	302,146	-	-	-	-	12,120,200	12,422,346	
Total revenues	38,149,216	11,970,377	5,398,263	49,692	-	24,684,781	80,252,329	
EXPENDITURES								
Current:								
Instructional services:								
Regular programs	17,872,465	4,391,343	-	-	-	6,254,564	28,518,372	
Special education programs	6,600,450	1,142,099	-	-	-	2,909,977	10,652,526	
Vocational programs	29,938	2,850	-	-	-	126,235	159,023	
Other instructional programs	483,270	60,404	-	-	-	540,427	1,084,101	
Special programs	13,148	22,914	-	-	-	4,238,278	4,274,340	
Adult/Continuing education	246,516	43,045	-	-	-	132,964	422,525	
Support services:								
Pupil support services	1,051,696	160,187	-	-	-	1,253,640	2,465,523	
Instructional staff support	1,391,828	195,650	-	-	-	2,331,747	3,919,225	
General administration	1,337,372	250,558	163,070	-	-	78,038	1,829,038	
School administration	2,252,666	267,622	-	-	-	1,003,593	3,523,881	
Business services	716,134	94,722	-	-	-	50,495	861,351	
Plant services	3,352,616	1,731,884	-	360,149	-	493,825	5,938,474	
Student transportation services	1,952,686	259,855	-	-	-	218,316	2,430,857	
Central services	351,092	593,380	-	-	-	218,475	1,162,947	

(Continued)

City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONCLUDED)

Fiscal Years Ended June 30, 2004

	MAJOR FUNDS					AGGREGATE REMAINING FUNDS OTHER GOVERNMENTAL	TOTAL
	GENERAL FUND	2001 SALES TAX SPECIAL REVENUE	BOND REDEMPTION DEBT SERVICE	CAPITAL PROJECTS			
Noninstructional services:							
Food service operations	-	363,871	-	-	-	4,174,666	4,538,537
Debt service:							
Principal	145,000	445,191	2,970,000	-	-	410,855	3,971,046
Interest	61,722	25,344	1,979,623	-	-	826,138	2,897,827
Capital Outlay	154,225	1,555,097	-	4,056,937	-	310,730	6,076,989
Total expenditures	38,012,824	11,606,016	5,112,693	4,417,086	-	25,572,963	84,721,582
Excess (deficiency) of revenues over expenditures	136,392	364,361	285,570	(4,367,394)	-	(888,182)	(4,469,253)
OTHER FINANCING SOURCES (USES)							
Sale of assets	18,751	-	-	-	-	-	18,751
Insurance recoveries	100,286	-	-	-	-	-	100,286
Assets acquired by capital lease	-	968,500	-	-	-	-	968,500
Transfers in	492,629	-	-	-	-	1,870,968	2,363,597
Transfers out	(2,480)	(1,833,012)	-	-	-	(528,105)	(2,363,597)
Total other financing sources (uses)	609,186	(864,512)	-	-	-	1,342,863	1,087,537
Net change in fund balances	745,578	(500,151)	285,570	(4,367,394)	-	454,681	(3,381,716)
Fund balances at beginning of year	(727,951)	1,629,134	5,395,072	8,379,975	-	3,637,261	18,313,491
Fund balances at end of year	17,627	1,128,983	5,680,642	4,012,581	-	4,091,942	14,931,775

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Fiscal Year Ended June 30, 2004**

Total net change (decrease) in fund balances - Governmental Funds \$ (3,381,716)

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

Elimination of operating transfers in and out:

Transfers in	2,363,597
Transfers out	(2,363,597)

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 capital outlays exceed depreciation in the

Capital Outlays	\$ 4,418,988	
Depreciation	<u>(2,408,312)</u>	2,010,676

Capital Assets nor depreciation are reported in the Governmental Funds. In the Statement of Net Assets capital assets and accumulated depreciation are reported. When an asset is disposed of it results in a gain or loss on the disposal of the asset in the Statement of Activities. During the current year the School Board sold assets with zero carrying value for \$18,751, resulting in a gain on disposal of capital assets of \$18,751. In addition, the School Board disposed of certain assets with a carrying value that resulted in a loss of \$271,224. (271,224)

Capital leases are reported in Governmental Funds as capital expenditures and other financing sources. However, they are not reported in the Statement of Activities.

Capital Outlay	968,500
Other Financing Sources	(968,500)

See accompanying notes to the basic financial statements. (Continued)

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities (Continued)
Fiscal Year Ended June 30, 2004**

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	3,490,000
Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	481,046
The costs associated with issuing bonds are reported as expenditures in the Governmental Funds. The issuance costs do not require the use of current financial resources; therefore, the costs are amortized over the life of the bond issue in the Statement of Activities. For the year ended June 30, 2004, there were no bond issuance costs.	
Amortization of bond issuance cost	(74,163)
In the Statement of Activities, certain operating expenses - compensated absences (vacations 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 used (\$1,025,017) exceeded the amounts earned (\$812,746) by \$212, 271.	212,271
The deferred amount on refunding of bonded debt is shown as a reduction of long-term debt, however, the amount is amortized over the lesser of the life of the original bonds or the life of the refunding bonds.	
Current year amortization	(113,832)

See accompanying notes to the basic financial statements.

(Continued)

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities (Concluded)
Fiscal Year Ended June 30, 2004**

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because accrued interest received from bond sales is recognized as Other Financing Sources when received and interest on outstanding bonds is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expenses are recognized as the interest accrues, regardless of when it is due.

Interest expense payable as of June 30, 2004	(810,822)	
Interest expense payable as of June 30, 2003	<u>863,524</u>	52,702

Bond premium from bond sales is reported in the Governmental Funds as Other Financing Sources when received. Bond premium is reported in the Government-wide Financial Statements as a liability and amortized over the life of the bonds.

Current year bond premium amortization		<u>26,587</u>
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Change in net assets of governmental activities		<u><u>\$ 2,432,347</u></u>
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See accompanying notes to the basic financial statements.

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Assets and Liabilities
Fiduciary Fund Type - Agency Funds
School Activity Funds**

For the Year Ended June 30, 2004

ASSETS

Cash and cash equivalents	\$ 543,028
Certificates of Deposit	<u>78,009</u>
Total assets	<u>\$ 621,037</u>

Liabilities and fund balances

Liabilities:

Amounts Held for Other Organizations	\$ <u>621,037</u>
Total liabilities	<u>\$ 621,037</u>

See accompanying notes to the basic financial statements.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies

ORGANIZATION

The City of Monroe School Board (the School Board) is governed by a seven-member board, each of whom is elected from a single member district. It operates under the authority of the City of Monroe Charter of 1900, as amended by the Mayor-Council Home Rule Charter for the City of Monroe, adopted in August 1979. The School Board is authorized to establish and operate public schools within the City of Monroe.

The School Board is composed of a central office, 20 schools and 2 support facilities. The School Board serves approximately 11,000 students. The School Board employs approximately 1,450 persons of which over 800 are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, bus transportation and food service. The regular school term normally begins during the latter half of August and runs until the end of May.

A. Financial Reporting Entity

The School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the City of Monroe. The School Board receives funding from Federal, state and local sources and must comply with the requirements of those funding source entities. However, the School Board is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Reporting Entity*, since the members of the School Board are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Therefore, the School Board is a separate governmental reporting entity. For financial reporting purposes, the School Board's financial statements include all funds, school, agencies and committees for which the School Board is financially accountable. The School Board is not aware of any other entities that should be included within the financial statements.

Certain units of local government, such as other independently elected officials, the parish police jury and municipalities, are excluded from the accompanying financial statements. These units have their own elected governing authorities and are not financially accountable to the School Board.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

B. Fund Accounting

The financial transactions of the School Board are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School Board uses the following fund categories and fund types:

Governmental Funds

Governmental funds account for the School Board's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues and expenditures. Major funds are larger, more significant funds. Nonmajor funds are the governmental Funds that do not meet the dollar tests for major funds. The major and nonmajor funds are described below.

Major Funds:

General Fund - The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The following Special Revenue Fund is a major fund:

The 2001 Sales Tax Fund accounts for the collection and distribution of the sales tax levies for the School Board. The sales tax passed in 2001 is to

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

provide additional support to the school system to include funding of capital improvements and employee salaries.

Debt Service Funds – Debt Service Funds account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

The following Debt Service Fund is a major fund:

The Bond Redemption Fund accounts for the 1994 and 1995 School Improvement Bonds and the related 2001 and 2003 refunding bonds.

Capital Projects Fund – Capital Projects Fund accounts for the financial resources received and used for the acquisition, construction or improvements of capital facilities not reported in the other governmental funds.

The school Board's one Capital Project Fund is a major fund. It accounts for resources accumulated and expended for improvements, acquisitions and construction of School Board facilities.

Nonmajor Funds:

The School Board has 10 nonmajor Special Revenue Funds and 1 nonmajor Debt Service Fund. For a description of these funds, see the Nonmajor Funds section of this report.

Fiduciary Funds

Agency Funds – The Agency Funds account for assets held by the School Board in a trustee capacity or as an agent for individuals, private or school organizations, other governmental units and/or other funds. The School Activity Fund accounts for all individual school activity funds. While these funds are under the supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

C. Basis of Accounting / Measurement Focus

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions are recognized when the School Board has an enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or 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.

General Revenues:

General revenues included in the Statement of Activities derive directly from local property and sales taxes and from unrestricted state grants. General revenues finance the remaining balance of a function not covered by program revenues.

Allocation of indirect expenses:

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses (long-term debt interest) of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense 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)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds reported in the fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities are included on the

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditure and other financing uses) in net current assets.

Governmental funds reported in the fund financial statements are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to pay current period liabilities. Such revenue items are ad valorem, sales and use taxes and federal and state entitlements. Ad valorem taxes are considered measurable in the calendar year of the tax levy. Ad valorem taxes are considered available because they are substantially collected within 60 days subsequent to year end. Sales taxes are considered measurable and available when collected by the vendors. Revenue from state and Federal grants are recorded when the reimbursable expenditure have been incurred.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Funds for payments to be made early in the following year.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest-bearing demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Short-term investments are stated at costs, which approximates fair value.

Interest earned on balances maintained in the pooled bank account was distributed to the individual funds based on the cash balance maintained by the unrestricted participating fund during the year.

The School Board maintains separate “book” cash accounts for each fund that is pooled within the master bank account. Negative book cash balances appear in the financial statements as a liability, “Due to Other Funds.” The balance of these amounts will be paid primarily through collections of grants receivable reimbursements from the Federal and State Departments of Education.

E. Investments

Investments, consisting of certificates of deposit, are stated at market value in

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

accordance with the provisions of GASB Statement No. 31.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet.

G. Elimination and Reclassifications

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

H. Bond Issuance Costs/Bond Premiums

Costs associated with issuing bonds (bond rating fees, attorney fees, printing, etc.) are capitalized and amortized over the life of the bond issue in the government-wide financial statements. The bond issuance costs are reported as expenditures in the fund financial statements. Bond premium from bond sales is reported in the governmental funds as Other Financing Sources when received. Bond premium is reported in the Government-wide Financial Statements as a liability and amortized over the life of the bonds.

I. Inventory

Inventory of the School Food Service Fund consists of food and supplies. Inventory is recorded as an expenditure as it is consumed. Inventory is valued at cost on the first-in, first-out (FIFO) method. Commodities provided to the School Board by the United States Department of Agriculture (USDA) through the State Department of Education are reflected as revenue when received and as an expenditure when consumed. Commodities are valued at amounts assigned by the USDA.

J. Capital Assets

Capital Assets, which include land, buildings, and equipment, are reported as governmental funds in the governmental-wide financial statements. The School

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Board considers assets with an initial individual cost of \$1,000 or more and an estimated life of one year or more as a capital asset.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following useful lives:

Buildings	40 years
Furniture and equipment	5 – 15 years

K. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-Wide Financial Statements.

L. Fund Reserves

Fund reserves are portions of fund equity that are legally restricted for future use and are therefore not available for current operations. The fund balance reserved for inventories represents the cost of inventories on hand and is, therefore, not available for expenditures.

M. Compensated Absences

All employees receive ten sick days each year, with any unused portion being carried forward. Upon retirement, employees with twenty years of service or more are paid for up to 25 days of accumulated sick leave. Only employees who work 12 calendar months per year earn vacation days. The School Board's policy regarding payment of accumulated vacation days is to allow for a maximum accumulation and payment of no more than 30 days with persons credited with days in excess of 30 as

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

of the effective date (July 1, 1994) being grandfathered in at their then-current accumulation.

N. Long-Term Liabilities

Bond premiums and discounts, as well as issuance costs, are recognized in the fund financial statements in the period the bonds are issued. Bond proceeds are reported as an Other Financing Source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

O. Restricted Net Assets

For the Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either:

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

Imposed by law through constitutional provisions or enabling legislation.

In the Statement of Net Assets, the following items are considered restricted:

Capital projects is restricted because the proceeds from issuance of bonded debt is dedicated to acquiring and improving school property.

Debt service is considered restricted because an ad valorem tax has been levied specifically to meet the principal and interest payments of various bond issues.

Salaries and related benefits are considered restricted as it represents undistributed salaries and related benefits from sales taxes restricted exclusively for this purpose.

P. Reserves and Designations of Fund Financial Statements

Portions of fund equity reported in the Fund Financial Statements are reserved for future use and are; therefore, not available for current appropriation or expenditure. Designations of unreserved fund balances indicate the School Board's tentative plans for the use of financial resources in a future period.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Q. Sales and Use Taxes

The voters of Ouachita Parish authorized the City of Monroe School Board and the Ouachita Parish School Board to jointly levy and collect a 0.5% sales and use tax. The net proceeds of the tax are to be allocated and prorated between the two school boards annually on the basis of average daily membership for the preceding school year. Eighty-eight percent of the sales and use tax revenues received by the School Board are to be used for the payment of the salaries of teachers, as defined by the Louisiana State Department of Education. The remaining twelve percent is to be used for the payment of salaries to designated personnel other than teachers.

In March, 1994, the voters of the City of Monroe approved the levy of a 0.5% sales and use tax. The net proceeds of the tax are to supplement salaries and benefits of certified teachers and other personnel and to provide additional funds for instructional activities. This sales tax went into effect in July, 1994.

In July, 2001, the citizens of the City of Monroe approved a 1% sales tax for additional support of the School Board. This sales tax went into effect in October, 2001.

R. Use of Estimates

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

Note 2 - Cash and Cash Equivalents and Investments

The School Board's cash and certificates of deposit consist of deposits with financial institutions. The certificates of deposit have varying maturities. State statutes govern the School Board's investment policy. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations and repurchase agreements. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana,

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which operates the local government investment pool. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by deposit insurance. Obligations that may be pledged as collateral are obligations of the United States government and its agencies and obligations of the state and its subdivisions.

The following is a schedule of the School Board's cash and certificates of deposit at June 30, 2004. Differences between School Board balances and the bank balances arise because of the net effect of deposits-in-transit and outstanding checks.

	School Board Balance	Bank Balance
Cash on Deposit	\$ 7,692,879	\$ 8,489,824
Cash Equivalents:		
LAMP Investments	7,115,697	7,115,697
Certificates of Deposit	250,000	250,000
TOTAL	\$ 15,058,576	\$ 15,855,521

The School Board's investments and deposits at June 30, 2004 are categorized on the following page to give an indication of the level of risk assumed by the School Board at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School Board or its safekeeping agent in the School Board's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or safekeeping agent in the School Board's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or safekeeping agent but not in the School Board's name. Per Louisiana State law, collateral is not required for funds invested in LAMP.

The School Board's deposits are collateralized as follows:

	Risk Category 1
FDIC Insured Deposits	\$ 200,000
Uninsured Deposits:	
Collateralized	8,539,824
Total Deposits	\$ 8,739,824

The School Board's investments at June 30, 2004, consist of a certificate of deposit with

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a carrying and market value of \$250,000. It is held by the School Board's agent in the School Board's name, and is collateralized (Risk Category 1).

Note 3 - Ad Valorem Taxes

The Sheriff of Ouachita Parish, as provided by State law, bills and collects property taxes on behalf of the School Board using the assessed values determined by the tax assessor of Ouachita Parish. For the year ended June 30, 2004, taxes of 44.99 mills were levied on property with assessed valuations totaling \$306,158,875 and were dedicated as follows:

School Operations, Maintenance, Aid and Support	26.99 mills
Series 1994 & Series 1995 Bonds Debt Service	18.00 mills
	44.99 mills

The School Board's portion of the total taxes originally levied was \$15,795,696 of which \$13,774,108 was assessed on property owners and \$2,021,589 was assessed under Homestead Exemption. The School Board collected \$13,602,396 through June 30, 2004, of which a nominal amount was for prior year(s) levies. Approximately 86% of the homestead exemption is not appropriated by the State of Louisiana and therefore is not collected.

Property Tax Calendar

Millage Rates Adopted	October 21, 2003
Levy Date	November 24, 2003
Tax Bills Mailed	November 24, 2003
Total Taxes Are Due	December 31, 2003
Lien Date	January 1, 2004

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

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Note 4 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2004, were as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,483,883	\$ -	\$ -	\$ 1,483,883
Construction-in-progress	<u>4,955,678</u>	<u>3,540,957</u>	<u>6,277,240</u>	<u>2,219,395</u>
Total capital assets not being depreciated	6,439,561	3,540,957	6,277,240	3,703,278
Capital Assets being depreciated:				
Buildings & improvements	62,650,359	6,305,791	-	68,956,150
Furniture and equipment	<u>12,152,882</u>	<u>1,817,980</u>	<u>349,377</u>	<u>13,621,485</u>
Total capital assets being depreciated	74,803,241	8,123,771	349,377	82,577,635
Less accumulated depreciation:				
Buildings and improvements	8,214,303	1,645,325	-	9,859,628
Furniture and equipment	<u>7,972,725</u>	<u>762,987</u>	<u>78,153</u>	<u>8,657,559</u>
Total accumulated depreciation	<u>16,187,028</u>	<u>2,408,312</u>	<u>78,153</u>	<u>18,517,187</u>
Total capital assets being depreciated, net	<u>58,616,213</u>	<u>5,715,459</u>	<u>271,224</u>	<u>64,060,448</u>
Governmental Activities Capital Assets, net	<u>\$ 65,055,774</u>	<u>\$ 9,256,416</u>	<u>\$ 6,548,464</u>	<u>\$ 67,763,726</u>

The beginning balance in fixed asset inventory has been decreased by \$1,401,532 due to a policy change that increased the capitalization value of assets from \$250 to \$1,000. Accumulated depreciation was increased by \$310,475 due to a computational error in the prior year.

Depreciation expense was charged to governmental activities as follows:

Instructional services:	
Regular programs	\$ 1,013,291
Special education programs	34,002
Vocational programs	22,129
Other instructional programs	10,935
Special programs	13,272

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Support services:	
Pupil support services	203
Instructional staff support services	62,081
General Administration	672
Business services	3,093
Plant services	19,780
Student transportation services	157,817
Central services	23,273
Food service operations	51,640
Facility acquisition and construction	996,124
Total depreciation expense	\$ <u>2,408,312</u>

Note 5 - Significant Concentrations of Risk

Amounts due from governmental agencies represent substantially all of receivables from outside sources. The School Board derives a majority of its revenue from grants by governmental agencies and is, therefore, economically dependent upon these grants.

Note 6 - Pension and Retirement Plans

State-sponsored Plans:

Substantially all employees of the School Board are members of two statewide retirement systems which are multiple-employer, cost-sharing public employee retirement systems. In general, professional employees such as teachers, principals and lunchroom workers are members of the Teachers' Retirement System of Louisiana (TRSL); other employees, such as custodial personnel and bus operators, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service.

Teachers' Retirement System of Louisiana (TRSL)

Under the TRSL Regular Plan, there are two retirement formulas: the 2% formula and the 2.5% formula. Participants may retire under the 2% formula at age 60 with at least 10 years of service credit or at any age with 20 years of service credit. Under the 2.5% formula, participants may retire at age 65 with 20 years of service credit; at age 55 with 25 years of service credit; or at any age with 30 years of service credit. The retirement

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benefit formula is based on the average salary of the 36 highest consecutive months times the applicable retirement percentage formula.

Under the TRSL-Plan A, normal retirement is generally at any age with 30 or more years credited service, and at the age of 55 with at least 25 years of credited service and at age 60 with at least 10 years of credited service. The retirement benefit formula is generally 3% times the average salary of the 36 highest successive months.

Funding Policy: As provided by statute, the School Board's employer contributions to the TRSL are funded by the State of Louisiana through expenditures by the School Board of state Minimum Foundation Program (MFP) funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contribution rates were 13.8%, 13.1% and 13.1% for the years ended June 30, 2004, 2003 and 2002 respectively. The School Board's contributions to the TRSL plans for the years ended June 30, 2004, 2003 and 2002 were \$6,175,069, \$4,886,324; and \$4,888,063, respectively, equal to the statutorily required contributions in each year.

The TRSL issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Teachers' Retirement System, P.O. Box 94123, Baton Rouge, Louisiana 70804-9123 or by calling (225) 925-6446.

Louisiana School Employees' Retirement System (LSERS)

Employees participating in the LSERS are eligible for normal retirement after 30 years of service at any age, 25 years of service at age 55, or 10 years of service at age 60. The maximum retirement allowance is computed at 2.5% times the highest 36 months of average salary, times the years of service plus a supplement of \$2.00 per month times the years of service.

Funding Policy: As provided by statute, the School Board's employer contributions to the LSERS are funded by the State of Louisiana through expenditures by the School Board of state MFP funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contribution rate of annual covered

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payroll for the year ended June 30, 2004 was 8.5%. The School Board's contributions to the LSERS plans for the years ended June 30, 2004, 2003 and 2002 were \$318,886, \$10,792, and \$0, respectively, equal to the statutorily required contributions in each year. The LSERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Louisiana School Employees' Retirement System, P.O. Box 44516, Capitol Station, Baton Rouge, LA 70804 or by calling (225) 925-6484.

School Board-Sponsored Plan:

The School Board has adopted for its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all School Board employees, permits them to defer a portion of their salaries until future years. The School Board does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement or unforeseen emergency. The deferred compensation is available to employee's beneficiaries in case of death.

Under the terms of a plan established in accordance with the terms of the amended IRC Section 457, all compensation deferred under the plan, all property and rights acquired with those amounts and all income attributable to those amounts and rights are solely the property and rights of the participants and their beneficiaries. As required by the amended IRC Section 457, the School Board has established custodial accounts with an unrelated third party administrator who holds in trust the assets and income of the plan. The trustee holds assets with a fair market value of \$294,797 at June 30, 2004.

Note 7 - Other Employee and Postemployment Benefits

The School Board offers a cafeteria plan fringe benefit program under the Internal Revenue Code Section 125 for all employees who elect to participate. The Plan covers the 75% of the cost of group health coverage of participating employees.

Group health and life insurance is provided to participating employees and retirees through the State Employees Group Benefits Program. In fiscal year 2004, the School Board paid \$6,735,744 in connection with providing these benefits, including \$1,990,437 attributable to 428 retirees.

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Note 8 - Long-Term Obligations

The following is a summary of changes in Long-Term Obligations for the year ended June 30, 2004:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
General obligation bonds	\$ 45,600,000	\$ -	\$ 2,970,000	\$ 42,630,000
Less deferred amount of refunding	(1,365,980)	-	(113,832)	(1,252,148)
Unamortized bond Premium	310,177	-	26,586	283,591
Sales tax bonds	18,000,000	-	375,000	17,625,000
Certificates of indebtedness	985,000	-	145,000	840,000
Capital leases	617,084	968,500	481,046	1,104,538
Compensated absences, net	2,335,331	812,746	1,025,017	2,123,060
TOTAL	\$ 66,481,612	\$ 1,781,246	\$ 4,908,817	\$ 63,354,041

Long-term bonds and certificates of indebtedness outstanding at June 30, 2004, are comprised of the following:

	Issue	Maturity Date	Interest Rate	Amount Outstanding
<u>General Obligation Bonds</u>				
School Bonds, Series 1995	1995	3/1/2005	5.35 - 9.00	\$ 1,230,000
School Refunding Bonds, Series 2001	2001	3/1/2014	4.00 - 4.625	22,090,000
Series 2003	2003	3/1/2015	2.50 - 5.00	19,310,000
Total General Obligation Bonds				42,630,000
<u>Sales Tax Bonds</u>				
Sales Tax Bonds, Series 2001	2001	10/1/2021	3.875 - 5.00	11,625,000
Sales Tax Bonds, Series 2002	2002	10/1/2021	4.25 - 4.75	6,000,000
<u>Certificate of Indebtedness</u>	1998	7/1/2008	4.70 - 4.95	840,000
Total Bonds and Certificate of Indebtedness				\$61,095,000

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Debt service requirements to maturity on all School Board bonds and certificates of indebtedness outstanding at June 30, 2004, including interest of \$19,572,837 are as follows:

Year Ending June 30,	Total Principal & Interest Due
2005	\$ 6,554,123
2006	6,602,348
2007	6,643,618
2008	6,663,168
2009	6,714,724
2010-2014	33,402,483
2015-2019	9,742,838
2020-2022	4,344,535
TOTAL	\$ 80,667,837

In order to advance refund a portion of the 1995 Series Bonds during fiscal year 2003, the School Board issued \$19,480,000 in General Obligation Bonds with an interest rate of 2.50% to 5.00%. The net proceeds from the issuance of the general obligation bonds were used to purchase government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until the bonds are called. The advance refunding met the requirement of an in-substance debt defeasance and \$18,215,000 of the Series 1995 bonds were removed from the School Board's financial statements. The outstanding balance of the defeased 1995 Series at June 30, 2003, is \$18,215,000, which will be called for redemption on March 1, 2005.

Note 9 - Lease Commitments and Rental Expense

Operating Leases

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

Rent Expense for the year ending June 30, 2004 totaled \$233,243.

Capital Leases

In fiscal 2003, the School Board entered into a capital lease obligation for the purchase

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of 15 buses. The original amount of the obligation was \$787,485 and bears an interest rate of 4.10%. In fiscal 2004, the School Board entered into a capital lease obligation for the purchase of 788 computers. The original amount of the obligation was \$968,500 and also bears an interest rate of 4.10%. Future minimum lease payments until maturity are as follows:

Fiscal Year Ending	Future Minimum Lease Payments
June 30, 2005	506,256
June 30, 2006	506,256
June 30, 2007	170,402
Total	1,182,914
Less: Amounts representing interest	(78,376)
Present Value of Future Minimum Lease Payments	\$ 1,104,538

Note 10 - Interfund Receivables and Payables (FFS level only)

Individual balances due to/from other funds at June 30, 2004, are as follows:

	Due From Other Funds
Major Funds:	
Unreimbursed expenses:	
General Fund:	
Sales Tax #2	\$ 470
Deficit cash balances:	\$ 470
General Fund:	
Sales Tax #3	116,897
Title I	3,389,304
Title II	401,727
Title IV	67,242
Title V	30,944
Special Education	538,579
Vocational/Adult Education	105,877
Other Federal Programs	391,419
State Grants	184,953
Total General Fund	5,226,942
	5,227,412

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Nonmajor Funds		
Unreimbursed expenses:		
Other Federal Programs		
General Fund	485,575	485,575
State Grants		
General Fund	<u>2,480</u>	<u>2,480</u>
Total Nonmajor Funds		488,055
Total Due To/From	\$ <u>5,715,467</u>	\$ <u>5,715,467</u>

Note 11 - Interfund Transfers

Transfers to/from other funds for the year ended June 30, 2004 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund	\$ 492,629	\$ 2,480
Special Revenues:		
Sales Tax #3	-	1,833,008
Nonmajor Funds		
Special Revenues		
School Food Service	470,794	35,479
Title I	-	245,194
Title II	-	71,930
Title IV	-	1,869
Title V	-	4,262
Special Education	-	88,317
Vocational/Adult Education	-	2,384
Other Federal Programs	-	33,386
State Grants	2,480	45,288
Debt Service		
2001 Debt Service	<u>1,397,694</u>	-
Total	\$ <u>2,363,597</u>	\$ <u>2,363,597</u>

Included in the transfers are \$488,979 of indirect cost to the General Fund from various Federal programs and \$1,397,694 from Special Revenue Funds-Sales Tax to Debt Service Funds-Sales Tax Bonds for the use in paying bond principal and interest.

**CITY OF MONROE SCHOOL BOARD
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Note 12 - Risk Financing Activities

The School Board manages its exposure under general liability, fleet, and errors and omissions through the purchase of commercial insurance. Qualifying employees and retirees may participate in the state group medical and life insurance plan. Risk of loss under workers' compensation statutes is self-insured by the School Board for up to \$200,000 per occurrence, with reinsurance coverage in force for losses in excess of that amount. The self-insured plan is administered by a third party, with the claims under the self-insured amount paid by the General Fund; certain Special Revenue funds reimburse the General Fund for payment of their claims. Consistent with the provisions of GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the School Board uses the General Fund to account for its risk financing activities. During the year ended June 30, 2004, the School Board incurred and paid claims under the worker's compensation plan of approximately \$215,559 net of reimbursements. There were no material claims outstanding at June 30, 2004.

Note 13 - Litigation and Contingencies

The School Board is a defendant in several lawsuits. Management and legal counsel for the School Board believe that the potential claims against the School Board, not covered by insurance, would not materially affect the School Board's financial position.

Note 14 – Fiscal Operations Plan (Unaudited)

Monroe City Schools began fiscal year 2003-2004 with a deficit in the General Fund of \$727,951. Additionally, the School Food Service Fund began the same fiscal year with a deficit of \$454,482, for a combined deficit of \$1,182,433. In past years, the School District had developed Deficit Elimination Plans that produced limited results for the District. Previous plans called for eliminating the deficit through reductions in expenditures. The District soon found that this alone was not the solution, as the district was able to cut in one area, only to see increases in another area. After much reflection on this matter, officials determined that insufficient revenue was the most significant part of the problem, with a new stream of revenue part of the solution. This strategy, coupled with elimination of staffing where appropriate contributes to the solution to eliminate the deficit.

Having come to this conclusion, school officials decided to go to the public with a one cent sales tax proposition. On July 21, 2001, the voters of the district overwhelmingly

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passed the one cent sales tax, which will generate an additional \$12 million per year for Monroe City Schools once fully funded. Of this one cent sales tax, only 45%, or \$5.4 million, is dedicated. The remaining 55%, or \$6.6 million, is to be used for general operations which will provide relief to general fund, thereby eliminating the deficit.

The district anticipated that the 2001-2002 fiscal year would be somewhat of a “bridge” year for the District, as the new sales tax was initiated in the second quarter of the fiscal year. Sales tax collections for fiscal year 2001-2002 were approximately \$9,000,000, with no additional MFP money resulting from increased effort for this fiscal year. The District anticipated that the bridge year would produce limited results in reducing the overall deficit, and would serve as a stabilizing period where for the first time in many years, the deficit would not increase.

The actual results of fiscal operations for 2001- 2002 were greater than the anticipated stabilizing period. In fact, the General Fund deficit was reduced by approximately \$1,000,000. Additionally, the School Food Service Fund deficit was reduced by approximately \$160,000, reducing the combined deficit at year end to approximately \$2,200,000.

Fiscal year operations for 2002-2003, resulted in a decrease of the General Fund deficit by \$964,996 and a decrease in the School Food Service Fund deficit by \$30,805.

Operations for fiscal year 2003-2004 resulted in the elimination of the deficit in both the General Fund and the School Food Service fund. This was largely accomplished by realignment of the staff to student ratio and other reductions where possible.

The district is now focused on improving its fiscal standing and building an operating fund balance of a minimum of \$4.5 million. The district will accomplish this by the continual realignment of staff, as well as the reduction of classified and administrative staff where possible. The District has implemented a one time retirement incentive plan that will that will reduce staff and aide in building a sufficient fund balance.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

**City of Monroe School Board
Monroe, Louisiana**

**General Fund
Budgetary Comparison Schedule (GAAP Basis)**

Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Over (Under)
	Original Budget	Final Budget		
Budgetary fund balance (deficit) at beginning of year	\$ (737,951)	\$ (727,951)	\$ (727,951)	\$ -
Resources (inflows)				
Local sources:				
Ad valorem taxes:				
Constitutional tax	2,076,000	1,921,467	1,921,467	-
Renewable tax	6,300,000	6,085,829	6,085,829	-
Other than school taxes	250,000	252,670	252,670	-
Earnings on investments	38,500	27,458	27,458	-
Other local revenue	361,719	505,224	505,224	-
Total local sources	9,026,219	8,792,648	8,792,648	-
State and federal sources:				
State equalization	27,170,874	28,190,853	28,190,853	-
State revenue sharing	324,000	316,827	316,827	-
Professional Improvement Program	375,128	359,915	359,915	-
Federal Restricted grants-in-aid	108,349	305,331	302,146	(3,185)
State Restricted grants-in-aid	125,900	144,337	147,511	3,174
State contribution for teacher retirement	39,166	39,166	39,316	150
Total state and federal sources	28,143,417	29,356,429	29,356,568	139
Other sources:				
Proceeds from sale of assets	20,000	18,751	18,751	-
Insurance proceeds	-	100,286	100,286	-
Other	62,000	-	-	-
Transfers in	375,000	359,187	492,629	133,442
Total other sources	457,000	478,224	611,666	133,442
Amounts available for appropriations	36,888,685	37,899,350	38,032,931	133,581
Charges to appropriations (outflows)				
Current:				
Instructional services:				
Regular programs	16,765,713	17,876,524	17,872,465	4,059
Special education programs	6,555,739	6,615,556	6,600,450	15,106
Vocational programs	128,970	28,704	29,938	(1,234)
Other instructional programs	359,698	441,093	483,270	(42,177)
Special programs	33,000	33,000	43,148	29,852
Adult/Continuing education programs	111,620	246,395	246,516	(121)
Support Services:				
Pupil support services	1,333,094	1,029,193	1,051,696	(22,503)
Instructional staff support	1,455,094	1,386,366	1,391,828	(5,462)
General administration	1,455,390	1,335,874	1,337,372	(1,498)
School administration	2,473,362	2,229,265	2,252,666	(23,401)
Business services	746,031	746,610	716,134	30,476
Plant services	3,108,254	3,311,683	3,352,616	(40,933)
Student transportation services	1,975,910	1,951,484	1,952,686	(1,202)
Central services	152,490	344,219	351,092	(6,873)
Capital outlay	154,255	154,255	154,225	30
Debt service	-	208,000	206,722	1,278
Total Charges	36,808,620	37,948,221	38,012,824	(64,603)
Transfers out	665,000	-	2,480	(2,480)
Total Charges to Appropriations	37,473,620	37,948,221	38,015,304	(67,083)
Budgetary fund balance (deficit) at end of year	\$ (584,935)	\$ (48,871)	\$ 17,627	\$ 66,498

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board
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**Special Revenue Fund -
2001 Sales Tax
Budgetary Comparison Schedule (GAAP Basis)**

Fiscal Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Budgetary fund balance at beginning of year	\$ 1,084,064	\$ 1,629,134	\$ 1,629,134	\$ -
Resources (inflows)				
Local sources:				
Sales and use taxes	11,588,385	11,972,284	11,966,781	(5,503)
Earnings on investments	20,000	3,596	3,596	-
Assets acquired by capital lease	-	-	968,500	968,500
Total local sources	<u>11,608,385</u>	<u>11,975,880</u>	<u>12,938,877</u>	<u>962,997</u>
Amounts available for appropriations	<u>12,692,449</u>	<u>13,605,014</u>	<u>14,568,011</u>	<u>962,997</u>
Charges to appropriations (outflows)				
Current:				
Instructional services:				
Regular programs	3,778,028	4,814,781	4,391,347	423,434
Special education programs	924,104	973,925	1,142,099	(168,174)
Vocational programs	4,144	2,605	2,850	(245)
Other Instructional programs	84,337	49,959	60,404	(10,445)
Special programs	14,000	14,872	22,914	(8,042)
Adult/Continuing education program	52,708	36,903	43,045	(6,142)
Support services:				
Pupil support services	168,028	135,253	160,187	(24,934)
Instructional staff support	151,294	178,181	195,650	(17,469)
General administration	95,001	232,329	250,558	(18,229)
School administration	273,815	228,703	267,622	(38,919)
Business services	113,591	88,203	94,722	(6,519)
Plant services	1,670,626	1,631,075	1,731,884	(100,809)
Student transportation services	266,275	230,883	259,855	(28,972)
Central services	949,479	866,146	593,380	272,766
Food service operations	324,173	322,058	363,871	(41,813)
Debt service	572,306	470,000	470,535	(535)
Capital outlay	742,403	1,710,903	1,555,097	155,806
Total Charges	<u>10,184,312</u>	<u>11,986,779</u>	<u>11,606,020</u>	<u>380,759</u>
Transfers out	<u>1,192,167</u>	<u>1,487,694</u>	<u>1,833,008</u>	<u>(345,314)</u>
Total Charges to Appropriations	<u>11,376,479</u>	<u>13,474,473</u>	<u>13,439,028</u>	<u>35,445</u>
Budgetary fund balance at end of year	\$ <u>1,315,970</u>	\$ <u>130,541</u>	\$ <u>1,128,983</u>	\$ <u>998,442</u>

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board
Monroe, Louisiana**

**Notes to Budgetary Comparison Schedules
Fiscal year Ended June 30, 2004**

Budget and Budgetary Accounting

The School Board utilized the following procedures in establishing the budgetary data reflected in the financial statements:

In September, the Superintendent submits to the School Board proposed annual appropriated budgets for the General Fund and the Special Revenue Funds for the fiscal year commencing the prior July 1. A public hearing is conducted to obtain taxpayer comments. Prior to September 15, the School Board legally enacts the budget through adoption. The only legal requirement is that the School Board adopts 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. The budget is revised periodically throughout the year, when deemed appropriate, but a balanced budget is always approved.

All budgets have annual appropriated budgets adopted on a basis consistent with GAAP. Except for grant-oriented funds, unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are utilized when goods or services are received. Grant-oriented fund budgets are adopted at the time the grant applications are approved by the grantor. Separate annual budgets are adopted for unencumbered appropriations of grant-oriented Special Revenue Funds at the beginning of the following fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. All budgets are operational at the departmental or project level. The Superintendent of the School Board is authorized to transfer budget amounts between line item activity and between any functions of an individual fund; however, any supplemental appropriations that amend the total expenditures of any fund require School Board approval.

SUPPLEMENTAL INFORMATION

**COMBINING
NONMAJOR FUNDS**

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana

NONMAJOR FUNDS

As of and for the Year Ended June 30, 2004

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds are primarily established for specific educational purposes and funded through the United States Department of Education or the Louisiana Department of Education.

- A. Title I of the Elementary and Secondary Education Act (ESEA) is a federally financed program which provides for the needs of children who are at risk of not meeting challenging academic standards and who reside in areas of high concentrations of children from low-income families.
- B. Title II is a Federal program which provides funds for mathematics and science related programs.
- C. Title IV is a Federal program that raises the awareness of students to the dangers of drug abuse and promotes an atmosphere for a drug-free learning environment.
- D. Title V is a Federal program that provides funding to develop and implement education programs to improve school, student and teacher performance, including professional development activities and class size reduction programs.
- E. The Special Education funds is a Federal program that provides free appropriate education for all identified handicapped children from 3 to 21 years of age in the least restrictive environment.
- F. Vocational and Adult Education funds are used to more fully develop the academic and occupational skills of students to enhance their ability to compete in a technologically advancing workplace.
- G. School Food Service accounts for the revenues and expenditures incurred, in providing to pupils, breakfast and lunch services during the school year and in the Summer Feeding program.
- H. The Other Federal Programs funds account for all other federal programs that were not specifically discussed above.
- I. The State Grants funds account for Louisiana Department of Education grants for programs such as the Model Early Childhood, the Supplemental Instruction Program, and LEAP/GEE21 Remediation.

**CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana**

NONMAJOR FUNDS

As of and for the Year Ended June 30, 2004

Debt Service Fund

The Sales Tax Bond Sinking Fund is used to account for the accumulation of resources for repayment of Series 2001 and 2002 Sales Tax School Bonds.

Fiduciary Funds

Fiduciary Funds account for assets held by the School Board in an agency capacity.

School Activities Fund

The School Activities Fund accounts for all individual school activity funds. While these funds are under supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

City of Monroe School Board
Monroe, Louisiana

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet

June 30, 2004

	Special Revenue Funds										Sales Tax	
	Title I	Title II	Title IV	Title V	Special Education	Vocational/Adult Education	Sales Tax	School Food Service	Other Federal Programs	State Grants	Bond Sinking Debt Service	Total
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	628	1,139,196	78,215	14,670	897,461	2,220,153	4,350,323
Accounts receivable	-	-	-	-	-	-	783,576	-	-	-	-	783,576
Due from other governments:												
Due from federal sources	3,697,938	542,713	67,242	35,227	644,792	140,717	-	26,330	417,158	-	-	5,572,117
Due from state sources	-	-	-	-	16,689	7,302	-	-	-	361,490	-	385,481
Due from other funds	-	-	-	-	-	-	485,575	-	-	2,480	-	488,055
Inventory	-	-	-	-	-	-	-	160,525	-	-	-	160,525
Other assets	-	-	-	-	1,320	888	-	20	-	752	-	2,980
Total assets	\$ 3,697,938	\$ 542,713	\$ 67,242	\$ 35,227	\$ 662,801	\$ 149,535	\$ 2,408,347	\$ 265,090	\$ 431,828	\$ 1,262,183	\$ 2,220,153	\$ 11,743,057
Liabilities and Fund Equity												
Liabilities:												
Accounts payable	\$ 7,768	9,482	\$ -	\$ -	7,590	25,103	10,707	25,829	8,859	10,500	-	105,838
Salaries and wages payable	300,866	131,504	-	4,283	104,348	18,555	557,624	208,930	31,550	239,624	-	1,597,284
Due to other funds	3,389,304	401,727	67,242	30,944	538,579	105,877	470	-	391,419	184,953	-	5,110,515
Other liabilities	-	-	-	-	12,284	-	-	-	-	825,194	-	837,478
Total liabilities	\$ 3,697,938	\$ 542,713	\$ 67,242	\$ 35,227	\$ 662,801	\$ 149,535	\$ 568,801	\$ 234,759	\$ 431,828	\$ 1,260,271	\$ -	\$ 7,651,115
Fund Equity:												
Fund balances:												
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	2,220,153	2,220,153
Reserved for inventory	-	-	-	-	-	-	-	30,331	-	-	-	30,331
Reserved for salaries and related benefits	-	-	-	-	-	-	1,371,285	-	-	-	-	1,371,285
Unreserved-undesignated	-	-	-	-	-	-	468,261	-	-	1,912	-	470,173
Total fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,839,546	\$ 30,331	\$ -	\$ 1,912	\$ 2,220,153	\$ 4,091,942
Total liabilities and fund equity	\$ 3,697,938	\$ 542,713	\$ 67,242	\$ 35,227	\$ 662,801	\$ 149,535	\$ 2,408,347	\$ 265,090	\$ 431,828	\$ 1,262,183	\$ 2,220,153	\$ 11,743,057

City of Monroe School Board
Monroe, Louisiana

NONMAJOR GOVERNMENTAL FUNDS
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances

Fiscal Year Ended June 30, 2004

Special Revenue Funds

	Title I	Title II	Title IV	Title V	Special Education	Vocational/Adult Education	Sales Tax	School Food Service	Other Federal Programs	State Grants	Sales Tax Bond Sinking Debt Service	Total
Revenues												
Local Sources:												
Sales Tax Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,190,451	\$ -	\$ -	\$ -	\$ -	\$ 10,190,451
Interest	-	-	-	-	-	-	34,693	-	-	-	18,718	53,411
School food service payment for meals	-	-	-	-	-	-	-	278,284	-	-	-	278,284
State Sources:												
State equalization	-	-	-	-	-	38,267	-	400,000	-	1,589,603	-	400,000
Restricted grants-in-aid	-	-	-	-	-	-	-	-	-	-	-	1,642,435
Restricted grants-in-aid	4,503,810	1,314,770	106,932	79,713	1,799,270	256,699	-	3,304,922	754,084	-	-	12,120,200
Total Revenues	4,503,810	1,314,770	106,932	79,713	1,837,537	271,264	10,225,144	3,993,206	754,084	1,589,603	18,718	24,684,781
Expenditures												
Current:												
Instructional												
Regular programs	-	146,850	-	-	-	-	5,690,844	-	194,700	222,170	-	6,254,564
Special education programs	-	-	-	-	993,825	-	1,916,152	-	-	-	-	2,909,977
Vocational programs	-	-	-	-	-	124,241	1,994	-	-	-	-	126,235
Other Instructional Programs	17,691	-	12,460	-	-	-	178,609	-	-	331,667	-	540,427
Special programs	2,745,469	1,047,587	-	13,634	-	-	16,880	-	288,868	125,840	-	4,238,278
Adult/Continuing education programs	-	-	-	-	-	55,544	77,420	-	-	-	-	132,964
Support Services:												
Pupil support services	324,408	-	81,004	59,079	226,032	-	343,790	-	-	219,327	-	1,253,640
Instructional staff	1,063,550	48,402	-	1,000	460,858	9,275	517,868	-	145,893	84,901	-	2,331,747
General administration	-	-	-	-	-	-	78,038	-	-	-	-	78,038
School Administration	-	-	-	-	-	-	502,304	-	-	501,289	-	1,003,593
Business services	-	-	-	-	10,181	-	40,314	-	-	-	-	50,495
Plant services	87,653	-	-	-	-	-	406,172	-	-	-	-	493,825
Student transportation services	1,400	-	-	-	21,768	25	177,938	-	-	17,185	-	218,316
Other support services	-	-	-	-	-	-	218,475	-	-	-	-	218,475
Noninstructional:												
Food service operations	132	-	-	-	-	-	255,422	3,919,112	-	-	-	4,174,666
Debt Service												
Principal	-	-	-	-	-	-	35,855	-	-	-	375,000	410,855
Interest	-	-	-	-	-	-	-	-	-	-	826,138	826,138
Capital outlay	18,313	-	11,600	1,739	79,794	79,794	11,305	14,596	99,595	45,586	-	310,730
Total expenditures	4,258,616	1,242,839	105,064	75,452	1,740,866	268,879	10,469,380	3,933,708	729,056	1,547,965	1,201,138	25,572,963
Excess (Deficiency) of Revenues Over Expenditures	245,194	71,931	1,868	4,261	96,671	2,385	(244,236)	49,498	25,028	41,638	(1,182,420)	(888,182)
Other Financing Sources (Uses)												
Transfers in	-	-	-	-	-	-	-	470,794	-	2,480	1,397,694	1,870,968
Transfers out	(245,194)	(71,931)	(1,868)	(4,261)	(96,671)	(2,385)	-	(35,479)	(25,028)	(45,288)	-	(528,105)
Total other financing sources (Uses)	(245,194)	(71,931)	(1,868)	(4,261)	(96,671)	(2,385)	-	435,315	(25,028)	(42,808)	1,397,694	1,342,863
Net Change in Fund Balance	-	-	-	-	-	-	(244,236)	484,813	-	(1,170)	215,274	454,681
Fund balance at beginning of year	-	-	-	-	-	-	2,083,782	(454,482)	-	3,082	2,004,879	3,637,261
Fund balance at end of year	-	-	-	-	-	-	1,839,546	30,331	-	1,912	2,220,153	4,091,942

OTHER SUPPLEMENTARY DATA

This section contains information that is presented as additional analytical data.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>District</u>	<u>Compensation</u>
Victoria Dayton	1	\$ 9,600
Tony Cain	2	9,600
Mickey Traweek	3	9,600
Jessie Handy, President	4	10,200
Rodney McFarland	5	9,600
Stephanie Smith	6	9,600
Brenda Shelling	7	<u>9,600</u>
		<u>\$ 67,800</u>

SUPPLEMENTARY INFORMATION –GRANT ACTIVITY



Luffey
Huffman
& Monroe

Francis J. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**City of Monroe School Board
Monroe, Louisiana**

We have audited the financial statements of **City of Monroe School Board** (the School Board) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit 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 the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. We noted certain

**City of Monroe School Board
Monroe, Louisiana**

matters involving the internal control over financial reporting which we have reported to management of the School Board in separate letter dated December 20, 2004.

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



(A Professional Accounting Corporation)

December 20, 2004



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**City of Monroe School Board
Monroe, Louisiana**

Compliance

We have audited the compliance of the **City of Monroe School Board** (the 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 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 School Board's management. Our responsibility is to express an opinion on the School Board's compliance based on our audit.

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

In our opinion, the 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.

**City of Monroe School Board
Monroe, Louisiana**

Internal Control Over Compliance

Management of the School Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



(A Professional Accounting Corporation)

December 20, 2004

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>C.F.D.A. NUMBER</u>	<u>GRANT NUMBER</u>	<u>CURRENT YEAR EXPENDITURES</u>
DIRECT PROGRAMS:			
U.S. DEPARTMENT OF DEFENSE			
R.O.T.C.	N/A	Not Available	\$ 80,521
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	28-LA-2000-2701	107,118
Total Direct Programs			187,639
PASS THROUGH PROGRAMS:			
U. S. DEPARTMENT OF EDUCATION			
Passed through Louisiana			
Department of Education:			
Title I Grants to Local Educational Agencies			
Part A - Basic			
2004 Regular Program	84.010A	S010A030018	4,125,159
2003 Regular Program	84.010A	S010A020018	141,105
2002 Carryover	84.010A	S010A010018	36,001
2003 Carryover	84.010A	S010A020018	201,545
Total Title I			4,503,810
SPECIAL EDUCATION CLUSTER:			
Special Education-Individuals With Disabilities Education Act IDEA B			
Preschool and School Programs:			
IDEA B 2004	84.027A	H027A030033	1,527,762
IDEA B 2003	84.027A	H027A020033	115,895
IDEA B 2002 Carryover	84.027A	H027A010033	17,936
IDEA B 2003 Carryover	84.027A	H027A020033	74,243
Preschool 2004	84.173A	H173A030082	49,112
Preschool 2003	84.173A	H173A020082	11,083
Preschool 2003 Carryover	84.173A	H173A020082	3,239
Total Special Education Cluster			1,799,270
Title II - Part A, Teacher and Principal Training and Recruiting			
2004 Regular	84.367A	S367B030017	1,198,723
2003 Regular	84.367A	S367A020018	37,716
2002 Carryover	84.367A	01-50-65C	5,241
2003 Carryover	84.367A	S367A020018	73,090
Total Title II			1,314,770
Title IV - Safe and Drug-Free Schools and Communities - State Grants			
2004 Regular	84.186A	S186A030019	55,868
2003 Regular	84.186A	S186A020019	37,986
2002 Carryover	84.186A	S186A010019	1,705
2003 Carryover	84.186A	S186A020019	11,374
Total Title IV			106,933

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	C.F.D.A. NUMBER	GRANT NUMBER	CURRENT YEAR EXPENDITURES
Title V - Innovative Education Program Strategies			
2004 Regular	84.298A	S298A030018	\$ 73,487
2003 Regular	84.298A	S298A020018	2,303
2003 Carryover	84.298A	S298A020018	3,923
Total Title V			<u>79,713</u>
Adult Education -			
State Administered Basic Grant 2004	84.002A	V002A030018	45,724
State Administered Basic Grant 2003 Carryover	84.002A	V002A020018	2,887
Total Basic Grant			<u>48,611</u>
Educational Technology State Grants			
SchoolTech Grant 2004	84.318X	S318X030018	149,479
SchoolTech Grant 2003	84.318X	S318X030018	11,500
Technology Literacy Challenge Grant 2004	84.318X	S318X030018	126,194
Technology Literacy Challenge Grant 2003	84.318X	S318X020018	29,146
Technology Literacy Challenge Grant 2003 Carryover	84.318X	S318X020018	1,899
Enhancing Education Through Technology 2004	84.318X	S318X030018	114,546
Enhancing Education Through Technology 2003	84.318X	S318X030018	15,762
Total Educational Technology State Grants			<u>448,526</u>
Strategies to Empower People	93.558	G0401LATANF	2,793
Vocational Education	84.048	V048A030018	200,485
Vocational Education 2003 Carryover	84.048	V048A020018	4,810
Total Vocational Education			<u>208,088</u>
			Total U.S. Dept. of Education
			8,616,839
U.S. DEPARTMENT OF AGRICULTURE (USDA)			
Passed through State			
Department of Education:			
CHILD NUTRITION CLUSTER:			
School Breakfast Program	10.553	Not Available	864,539
School Lunch Program	10.555	Not Available	2,311,977
Summer Feeding Program	10.559	Not Available	128,406
Total Child Nutrition Cluster			<u>3,304,922</u>
			Total U.S. Dept. of Agriculture
			3,304,922
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (USDHHS)			
Passed through Louisiana			
Department of Education:			
Starting Point	93.558	G0003LACCDF	123,956
LA4 Preschool	93.558	G030LATANF	181,602
Pre-GED Skills Option	93.558	G-0401LATANF	114,507
Total U.S. Dept. of Health and Human Services			<u>420,065</u>
TOTAL PASS THROUGH PROGRAMS			<u>12,341,826</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>12,422,347</u>

See Notes to Schedule of Expenditures of Federal Awards

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

A. General

The preceding Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the City of Monroe School Board (the School Board). The School Board reporting entity is defined in Note 1 to the School Board's general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule.

B. Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School Board's financial statements.

C. Relationship to Special Revenue Funds

The following reconciliation is provided to help the reader of the School Board's financial statements and supplementary information relate such information to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004:

	<u>Title I</u>	<u>Title II</u>	<u>Title IV</u>	<u>Title V</u>	<u>Special Education</u>
Total Expenditures	\$ 4,258,616	\$ 1,242,840	\$ 105,064	\$ 75,451	\$ 1,702,598
Transfer of					
Indirect Cost	<u>245,194</u>	<u>71,930</u>	<u>1,869</u>	<u>4,262</u>	<u>96,672</u>
Expenditures per					
Schedule	<u>\$ 4,503,810</u>	<u>\$ 1,314,770</u>	<u>\$ 106,933</u>	<u>\$ 79,713</u>	<u>\$ 1,799,270</u>
	<u>Adult/ Vocational Education</u>	<u>Other Federal Programs</u>	<u>Child Nutrition Cluster</u>	<u>Impact Aid</u>	<u>R.O.T.C.</u>
Total Expenditures	\$ 368,822	\$ 687,416	\$ 3,304,922	\$ 107,118	\$ 80,521
Transfer of					
Indirect Cost	<u>2,384</u>	<u>66,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per					
Schedule	<u>\$ 371,206</u>	<u>\$ 754,084</u>	<u>\$ 3,304,922</u>	<u>\$ 107,118</u>	<u>\$ 80,521</u>

In addition, the School Board consumed non-cash awards in the amount of \$193,701 in the form of commodities provided by the United States Department of Agriculture.

**CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2004

Section 1 – Summary of Auditor’s Results

Financial Statements:

Type of Auditor’s Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Reportable Condition(s) identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weakness(es)? Yes None Reported

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 Circular A-133, Section .510(a)? Yes No

Dollar threshold used to distinguish between Type A and Type B programs \$361,873

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
84.367	Title II
84.027 and 84.173	Special Education Cluster
10.553,10.555 and 10.559	Child Nutrition Cluster

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

**MONROE CITY SCHOOLS
SUMMARY STATUS OF PRIOR YEAR FINDINGS**

03-01 FIXED ASSET ACCOUNTING

The School Board continues to improve its Fixed Asset Accounting, mainly by the implementation of a system that allows complete and accurate information of all capital assets. School Board employees continue to monitor and update information on fixed assets, including construction in progress.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2004**

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

AGREED-UPON PROCEDURES

FISCAL YEAR ENDED JUNE 30, 2004

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Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)

CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2004**

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of City of Monroe School Board (the School Board) and the Legislative Auditor, State of Louisiana (collectively, the Specified Users), solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of City of Monroe 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). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the Specified Users of the report. Consequently, we 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.

Our procedures and findings relate to the accompanying schedules required by state law and are as follows:

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

1. We 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,

**City of Monroe School Board
Monroe, Louisiana**

- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Education Levels of Public School Staff (Schedule 2)

2. We 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 School Board supporting payroll records as of October 1st.
3. We 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 principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We 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.

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

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st 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.

**City of Monroe School Board
Monroe, Louisiana**

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree 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.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule 6)

9. We 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. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We 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.

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. We 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.

The Iowa Tests (Schedule 9)

12. We 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.

Our twelve procedures enumerated above did not disclose any exceptions.

**City of Monroe School Board
Monroe, Louisiana**

We were 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, we do not express such an opinion. Had we 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 Specified Users, the Louisiana Department of Education and the Louisiana Legislature 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.



(A Professional Accounting Corporation)

December 20, 2004

SCHEDULES REQUIRED BY STATE LAW

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana

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

General Fund Instructional and Equipment Expenditures**General Fund Instructional Expenditures:****Teacher and Student Interaction Activities:**

Classroom Teacher Salaries	\$ 25,682,241	
Other Instructional Staff Activities	2,982,626	
Employee Benefits	8,211,103	
Purchased Professional and Technical Services	73,399	
Instructional Materials and Supplies	1,898,380	
Instructional Equipment	<u>266,603</u>	
Total Teacher and Student Interaction Activities		\$ 39,114,352

Other Instructional Activities

671,102

Pupil Support Activities

1,774,999

Less: Equipment for Pupil Support Activities

-

Net Pupil Support Activities

1,774,999**Instructional Staff Services**

2,191,734

Less: Equipment for Instructional Staff Services

970

Net Instructional Staff Services

2,190,764**Total General Fund Instructional Expenditures**\$ 43,751,217**Total General Fund Equipment Expenditures**\$ 267,573**Certain Local Revenue Sources****Local Taxation Revenue:**

Constitutional Ad Valorem Taxes	\$ 1,921,467
Renewable Ad Valorem Tax	6,085,829
Debt Service Ad Valorem Tax	5,342,430
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	<u>252,670</u>
Total Local Taxation Revenue	<u><u>\$ 13,602,396</u></u>

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	<u>-</u>
Total Local Earnings on Investment in Real Property	<u><u>\$ -</u></u>

State Revenue in Lieu of Taxes:

Revenue Sharing-Constitutional Tax	\$ 316,827
Revenue Sharing-Other Taxes	<u>-</u>
Total State Revenue in Lieu of Taxes	<u><u>\$ 316,827</u></u>

Nonpublic Textbook Revenue	<u><u>\$ 28,277</u></u>
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Nonpublic Transportation Revenue	<u><u>\$ -</u></u>
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Schedule 2

CITY OF MONROE SCHOOL BOARD
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	-	-	-	-	-	-	-	-
Bachelor's Degree	367	58%	47	84%	-	-	-	-
Master's Degree	151	24%	9	16%	5	19%	-	-
Master's Degree +30	110	17%	-	0%	17	65%	-	-
Specialist in Education	2	0%	-	0%	2	8%	-	-
Ph.D. or Ed.D.	2	0%	-	0%	2	8%	-	-
Total	632	100%	56	100%	26	100%	-	-

CITY OF MONROE SCHOOL BOARD
Number and Type of Public Schools
Fiscal Year Ended June 30, 2004

<u>Type</u>	<u>Number</u>
Elementary	12
Middle/Junior High	3
Secondary	3
Alternative/Expulsion (K-12)	1
Drop Out Recovery School	1
	<hr/>
Total	20
	<hr/> <hr/>

CITY OF MONROE SCHOOL BOARD
Experience of Public Principals and Full-time
Classroom Teachers
As of October 1, 2003

	Assistant Principals	Principals	Classroom Teachers	Total
0-1 Yr.	-	-	76	76
2-3 Yrs.	-	-	57	57
4-10 Yrs.	-	1	159	160
11-14 Yrs.	1	1	91	93
15-19 Yrs.	1	7	97	105
20-24 Yrs.	-	1	70	71
25+ Yrs.	4	10	138	152
Total	6	20	688	714

CITY OF MONROE SCHOOL BOARD
Public School Staff Data
As of June 30, 2004

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$38,762.30	\$38,880.36
Average Classroom Teachers' Salary Excluding Extra Compensation	\$38,650.74	\$38,775.50
Number of Teacher Full-Time Equivalent (FTEs) Used In Computation of Average Salaries	742	714

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 MONROE SCHOOL BOARD
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	50.0%	190		46.1%	175		3.2%	12		0.8%	3	
Elementary Activity Classes	69.7%	23		6.1%	2		18.2%	6		6.1%	2	
Middle/Jr. High	48.5%	204		36.8%	155		14.7%	62		0.0%	0	
Middle /Jr. High Activity Classes	44.6%	41		18.5%	17		26.1%	24		10.9%	10	
High	51.1%	309		29.3%	177		19.7%	119		0.0%	0	
High Activity Classes	34.9%	29		18.1%	15		32.5%	27		14.5%	12	
Combination	0.0%	0		0.0%	0		0.0%	0		0.0%	0	
Combination Activity Classes	0.0%	0		0.0%	0		0.0%	0		0.0%	0	

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 MONROE SCHOOL BOARD
Louisiana Educational Assessment Program (LEAP) for the 21st Century
Three Fiscal Years Ended June 30, 2004

District Achievement Results	English Language Arts						Mathematics					
	2004		2003		2002		2004		2003		2002	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 4												
Advanced	14	2	3	0	19	2	9	1	10	1	14	2
Proficient	112	15	71	9	108	13	73	10	72	9	61	8
Basic	298	40	354	45	292	36	252	33	308	39	275	34
Approaching Basic	172	23	212	27	250	31	206	27	210	26	224	28
Unsatisfactory	158	21	153	19	136	17	214	28	193	24	231	29
Total	754		793		805		754		793		805	

District Achievement Results	Science						Social Studies					
	2004		2003		2002		2004		2003		2002	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 8												
Advanced	3	0	3	0	1	0	2	0	1	0	2	0
Proficient	55	8	49	8	46	8	51	7	18	3	43	7
Basic	178	25	168	28	156	26	246	35	208	34	208	34
Approaching Basic	230	32	233	38	245	41	232	33	220	36	194	32
Unsatisfactory	245	34	156	26	149	25	182	26	164	27	162	27
Total	711		609		597		713		611		609	

CITY OF MONROE SCHOOL BOARD
The Graduation Exit Exam for the 21st Century
Three Fiscal Years Ended June 30, 2004

District Achievement Results	English Language Arts						Mathematics					
	2004		2003		2002		2004		2003		2002	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 10												
Advanced	10	2	1	0	6	1	26	5	19	3	22	4
Proficient	51	11	33	6	57	10	50	10	42	7	40	6
Basic	165	34	165	30	182	33	170	33	168	30	156	25
Approaching Basic	117	24	141	26	138	25	100	20	111	20	124	20
Unsatisfactory	138	29	202	37	172	31	162	32	227	40	282	45
Total	481		542		555		508		567		624	

District Achievement Results	Science						Social Studies					
	2004		2003		2002		2004		2003		2002	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 11												
Advanced	4	1	1	0	7	1	2	0	7	2	1	0
Proficient	38	8	44	10	42	9	33	7	29	7	36	8
Basic	149	33	158	37	161	34	205	45	184	42	174	37
Approaching Basic	119	26	125	29	118	25	120	26	104	24	124	26
Unsatisfactory	147	32	104	24	146	31	95	21	111	26	139	29
Total	457		432		474		455		435		474	

CITY OF MONROE SCHOOL BOARD
The IOWA Tests
Three Fiscal Years Ended June 30, 2004

	Composite		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Test of Basic Skills (ITBS)			
Grade 3	53	49	45
Grade 5	45	48	44
Grade 6	39	40	45
Grade 7	38	38	36
 Tests of Educational Development (ITED)			
Grade 9	37	38	39

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.



Francis J. Huffman, CPA
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Esther Atteberry, CPA

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MANAGEMENT LETTER

Members of the School Board City of Monroe School Board Monroe, Louisiana

In planning and performing our audit of the general purpose financial statements of the City of Monroe School Board (the School Board) for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 20, 2004 on the basic financial statements of the School Board.

Fixed Asset Accounting

Finding:

As in previous years the School Board consumed considerable time in producing an accurate detail listing of equipment included in capital assets at June 30, 2004. It appears that this condition was a result of a combination of errors in software updates implemented in the current year and data input errors by School Board staff.

Recommendation:

The School Board should continue working closely with the software vendor to ensure that the software provides accurate and timely information. Also, all data input into the system by the School Board should be reviewed by supervisory personnel within the accounting department prior to running final capital asset reports. These records should be continuously reviewed and updated to provide timely and accurate information on the capital assets owned by the School Board.

**City of Monroe School Board
Monroe, Louisiana
Management Letter**

Management's Corrective Action Plan:

The School Board will continuously review the system and update it for any improvements that may be considered necessary. Also, the chief accountant will monitor the input into the system to ensure that accurate reports are produced.

Inventory of Supplies and Parts

Finding:

Except for supplies used in the School Food Services Department, the School Board does not record inventory of consumable supplies nor does it record parts used to maintain buses and other equipment in its general ledger. While the amount of inventory on hand at any one time may be immaterial to the financial statements taken as a whole, there is a considerable amount of parts and supplies consumed throughout the year.

Recommendation:

We recommend that the School Board implement a perpetual inventory system to account for these items and record the inventory in the general ledger.

Management's Corrective Action Plan:

The School Board will institute a perpetual inventory system and record inventory of supplies and parts in the general ledger.

Unauthorized Purchases

Finding:

During the year ended June 30, 2004, an employee of the school board made unauthorized purchases of fuel on a school board issued credit card and allowed others to make purchases on the card. The employee was a school bus attendant who was provided with a Fuelman card and Personal Identification Number (PIN) to be used when she was required to transport a special needs student in a school board vehicle. The Fuelman card used was one assigned to a vehicle in the maintenance department and the PIN was a substitute to be used by employees who did not have their own PIN and made infrequent trips on school board business. This employee apparently gave the card number and PIN to others to be used to purchase gasoline for personal vehicles. During the period from August, 2003 through May, 2004 over 350

**City of Monroe School Board
Monroe, Louisiana
Management Letter**

transactions totaling in excess of \$5,800 were executed at a convenience store in Homer, Louisiana. These purchases were made by individuals manually keying in the card number since none of them had actual possession of the card. During our review of Fuelman reports we noted numerous transactions within minutes of each other at locations miles apart as well as consecutive purchases made at the same location. This also indicates that the card was not being swiped in the card reader as is the normal procedure for making such purchases.

The Transportation Manager noticed a series of discrepancies during his review of the April, 2004 Fuelman report. A review of these reports indicated a tremendous increase in activity from January, 2004 through May, 2004. Upon discovery of the fraudulent purchases the Transportation Manager visited several vendors and viewed surveillance tapes. He was able to identify the employee involved through his observations. He was also able to learn that the church, in Homer, which this employee attended made frequent purchases using the card and that an employee at the Homer store who attended the same church had allowed family members and apparently others to use the card. This employee of the store was placed on suspension by the store's management.

The school board notified the Monroe Police Department and the employee was arrested in May, 2004. After her arrest, the employee was terminated by the City of Monroe School Board and is now awaiting trial. The Homer Police Department were also notified about the involvement of the store employee but apparently have not been able to locate the individual. The school board also immediately notified Fuelman to cancel the card and PIN that was used in the theft.

Since this incident, the school board has taken certain steps to reduce the risk of fraudulent purchases being made on school board credit cards. The school board no longer has "substitute" PIN numbers. All PIN numbers are associated by name with a school board employee. If an employee who does not have a card and PIN is required to travel in a school board vehicle, the card and PIN assigned to the transportation department's Operations Specialist is used. The employee is required to sign a log indicating he has received the card and PIN and return it immediately at the end of the trip. In addition, merchants where drivers frequently fuel their buses and other school board vehicles have been notified not to allow any purchases where the card number is manually entered instead of the card being swiped. Fuelman has received the same notification and will notify the school board if any such transactions occur. In addition, the Operations Specialist is now receiving e-mails from Fuelman each time a card is used so that she can examine the purchase for any suspicious activity.

Recommendation: The Transportation Manager and his staff should continue their efforts to monitor all purchases made with school board credit cards. The duties of issuing cards and PIN numbers and those of examining weekly invoices should not be

**City of Monroe School Board
Monroe, Louisiana
Management Letter**

performed by the same person. The Transportation Manager should examine the invoices for accuracy and propriety of the purchases and return them to accounts payable with his approval for payment. The school board should also attempt to determine the total dollar value of illegal purchases so that restitution can be sought from the parties involved.

Besides the criminal charges being brought against the former school board employee, the school board should pursue Civil action against this former employee as well as the church and any other individuals who can be identified in the theft.

Management's Corrective Action Plan:

The Monroe City School Board will closely monitor all purchases made with School Board Credit Cards. In particular, the transportation manager and his staff will monitor all purchases made with the district Fuelman credit cards, with the signature of the transportation manager verifying the authenticity of each transaction. All employees using a Fuelman card will receive a personal identification number (PIN), with the abolishment of "substitute or spare" card numbers. The PIN for terminated employees will be cancelled immediately. Duties will be segregated so that the employee who issues cards and PINs will not be the same employees who provide weekly monitoring of invoices. The District will begin dialogue with its attorney to determine the feasibility and practicality of pursuing civil action against individuals identified in the theft.



(A Professional Accounting Corporation)

December 20, 2004