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CITY OF BOGALUSA SCHOOL BOARD

**FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS**

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 2-9-05

CITY OF BOGALUSA SCHOOL BOARD

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CITY OF BOGALUSA SCHOOL BOARD

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CITY OF BOGALUSA SCHOOL BOARD

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FINANCIAL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Honorable Board Members
City of Bogalusa School Board
1705 Sullivan Drive
Bogalusa, LA 70429

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

The accompanying financial statements have been prepared assuming that the School Board will continue as a going concern. As discussed in Note 20 to the financial statements, the School Board has experienced significant decreases in fund balances over the last several years and cash flow shortages caused by expenditures exceeding revenues raising substantial doubt about its ability to continue as a going concern. Management's plans regarding this uncertainty are

described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2005, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and 40 through 44, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the School Board's management. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the School Board. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rebowe & Company

January 14, 2005

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

**BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The Management's Discussion and Analysis (MD&A) of the Bogalusa City School Board (School Board) financial performance provides an overall review and an objective, easily readable analysis of the School Board's financial activities for the fiscal year ended June 30, 2004. The intent of the MD&A is to look at the School Board's overall financial performance and to assist readers in assessing the financial position as a result of the year's operations. Therefore, readers should read the MD&A in conjunction with the School Board's Basic Financial Statements and the Notes to the Financial Statements.

The MD&A is an element of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for the years ending June 30, 2004 and 2003 include the following:

Net assets amounted to \$2,125,059 and \$4,064,053 for the years ended June 30, 2003 and 2004, respectively. The net assets were composed of the following elements:

Net Assets

	2004	2003
Invested in capital assets, net of related debt	\$ 4,318,787	\$ 1,458,755
Unrestricted:	(254,734)	666,304
	\$ 4,064,053	\$ 2,125,059

Net Assets increased from July 1, 2003 to June 30, 2004 by \$1,938,994. Although there are many factors that make up this increase; the largest factors are the increase in ad valorem taxes and a new capital projects grant, which was primarily expended as capitalizable assets. The amount "Invested in capital assets, net of related debt", represents the Board's net book value of its fixed assets. It is the accumulation of years of investments in capital projects. The Unrestricted portion of net assets reflects a deficit of \$254,734 representing several years of excess expenditures over revenues.

BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004

As of June 30, 2004 and 2003, total assets amounted to \$7,151,363 and \$5,029,699, respectively, attributed to the following elements:

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 1,115,385	\$ 1,892,120
Other receivables	121,460	23,770
Due from other governments	1,542,090	1,617,065
Inventory	53,641	37,959
Capital assets (net of accumulated depreciation)	<u>4,318,787</u>	<u>1,458,755</u>
TOTAL ASSETS	<u>\$ 7,151,363</u>	<u>\$ 5,029,669</u>

Due from other governments represents federal and state grant monies due at year end. Capital assets represent the investment in capital projects over the history of the board.

As of June 30, 2004 and 2003, total liabilities amounted to \$3,087,310 and \$2,904,610, respectively, due to the following items:

	<u>2004</u>	<u>2003</u>
Accounts, salaries, and other payables	\$ 2,240,428	\$ 2,492,793
Liabilities due in more than one year	448,749	411,817
Due in over a year	<u>398,133</u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 3,087,310</u>	<u>\$ 2,904,610</u>

Accounts, salaries, and other payables represent normal year end payables and the accrued summer payroll. Liabilities due in more than one year represent compensated absences.

As of June 30, 2004 and 2003, total revenues amounted to \$27,405,663 and \$23,296,826, respectively, due to the following items:

	<u>2004</u>	<u>2003</u>
Minimum Foundation Program	\$ 13,159,662	\$ 12,620,209
Sales Taxes	2,054,345	2,050,354
Operating Grants	6,758,318	5,323,401
Ad Valorem Taxes	3,345,905	2,674,246
Other Revenue	517,073	628,616
Capital Grant	<u>1,570,360</u>	<u> </u>
TOTAL REVENUES	<u>\$ 27,405,663</u>	<u>\$ 23,296,826</u>

BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004

The largest single revenue source continues to be the Minimum Foundation Program (MFP) distribution from the state, amounting to \$13,159,662. This MFP formula establishes a standard of local support for each school system based on the state average local support relative to the system's capacity to raise local funds.

The School Lunch Program and Title I continue to be the largest federally funded programs with \$1,241,366 and \$1,132,285 in grant revenue, respectively.

As of June 30, 2004 and 2003, total expenses amounted to \$28,009,987 and \$24,819,312, respectively, due to the following items:

	2004	2003
Instruction related expenses	\$ 14,275,618	\$ 13,682,287
Support Services	<u>10,897,439</u>	<u>11,137,025</u>
TOTAL EXPENSES	<u>\$ 25,173,057</u>	<u>\$ 24,819,312</u>

Expenditure increases are the result of the rise in health insurance costs. Health insurance continues to rise annually each year at rates significantly higher than inflation. Computer hardware and software upgrades also contributed to the increase. Other increases are due to normal step increases, preparation costs associated with a planned elementary school complex and roof repairs to the Junior High and Senior High school and administrative expenses.

USING THE BASIC FINANCIAL STATEMENTS

The School Board's Basic Financial Statements consist of a series of financial statements and the associated notes to those statements. These statements are organized so the reader can understand the operations of the School Board as a financial whole, i.e., an entire operating entity, its funds, and its fiduciary responsibilities. The "Basic Financial Statements" Section, consisting of the Statement of Net Assets, and the Statement of Activities provide highly consolidated financial information, and render a government-wide perspective of the School Board's financial condition. The Fund Financial Statements provide the next level of detail and look at the School Board's most significant funds and a total of all other nonmajor funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities (Government-wide)

The Statement of Net Assets and the Statement of Activities present an aggregate view of the School Board's finances and a longer-term view of those finances. These statements seek to answer the question, "How did the School Board do financially during the 2003-2004 fiscal year?" These statements include *all assets and liabilities* using the *accrual basis* of accounting

BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004

used by most private-sector enterprises. The *accrual basis* takes into account all of the Board's current year revenues and expenses regardless of when paid or received.

These two statements report the School Board's net assets and changes in those assets. By showing the change in net assets for the year, the reader may ascertain whether the School Board's financial condition has improved or deteriorated. The causes of the change may be the result of many factors, both financial and non-financial in nature. Non-financial factors which may have an impact on the School Board's financial condition include the School Board's property and sales tax base, student enrollment, facility conditions, required educational programs for which little or no funding is provided, or other external factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School Board's major funds provide more in-depth reporting of the School Board's financial position and the results of operations. Fund basis financial information is presented in the "Fund Financial Statements" Section. The School Board uses many funds to account for the numerous funding sources provided annually. However, the Fund Financial Statements look at the School Board's most significant funds with all non-major funds presented in total in one column. These statements report governmental activities on a more current basis rather than a long-term basis, indicating sources and uses of funding and resources available for spending in future periods.

Fund Financial Statements provide more in-depth data on the School Board's most significant funds, such as its General Fund. This fund is considered a "major fund" under GASB Statement No. 34.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows in and out of those funds, the balances that are left at year-end and the amount available for spending in future periods.

These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities reported in the Government-wide Financial Statements and the governmental funds reported in the Fund Financial Statements are reconciled in the financial statements.

Statement of Fiduciary Net Assets - This statement presents financial information relative to assets held by the School Board on behalf of students and others in a position of trust.

BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004

Governmental Activities

As reported in the Statement of Activities, the cost of the School Board's governmental activities for the year ended June 30, 2004 was \$25,173,057. The Statement of Activities shows the cost of program services and the charges and grants offsetting some of those services. Grants of \$6,758,318 subsidized certain programs, and charges for services for school lunches was the only contributor of charges for services totaling \$170,117. The remaining amount was financed by the taxpayers in the parish through ad valorem and sales and use taxes totaling \$5,400,250 and \$225,541 in State Revenue Sharing. The Minimum Foundation Program (MFP) from the State of Louisiana funded \$13,159,662 and other general revenues contributed the remainder. In Table I below, the cost of the School Board's largest categories of expenses are presented as well as each program's net cost (total cost less revenues generated by the activities). This "net cost" presentation allows the parish taxpayers to determine the remaining cost of the various categories, and also allows them the opportunity to assess the cost of each function in comparison to the benefits they believe are provided by the function. The net cost also reflects the amount needed to finance these functions from general sources such as taxes and MFP.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental activities:		
Instruction:		
Regular programs	\$ 7,494,612	\$ (7,481,992)
Special programs	4,980,807	(403,720)
Vocational programs	660,922	(660,922)
Adult Programs	33,160	(33,160)
All other programs	1,106,117	(1,106,117)
Support services:		
Student services	1,094,640	(1,094,640)
Instructional staff support	1,242,368	(641,526)
General administration	485,745	(410,000)
School administration	1,413,174	(1,413,974)
Business services	682,158	(682,158)
Plant services	2,997,054	(1,412,029)
Student transportation services	1,032,853	(978,718)
Central services	79,827	(79,827)
Food services	1,764,842	(278,129)
Community service programs	<u>104,778</u>	<u>1,850</u>
Total Governmental Activities	<u>\$ 25,173,057</u>	<u>\$(16,674,262)</u>

**BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004**

THE SCHOOL BOARD'S FUNDS

The School Board uses funds to control and permit measurement in the short term of the revenues and expenditures of a particular activity or purpose (e.g., dedicated taxes and grant programs). The Fund Financial Statements allow the School Board to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. These statements also allow the reader to obtain more insight into the financial management of the School Board and assess further the School Board's overall financial stability.

As the School Board completed the fiscal year ended June 30, 2004, its combined fund balance was \$592,148 as compared to a combined fund balance of \$1,196,472 as of June 30, 2003. The General Fund's fund balance decreased by \$363,174 mainly as a result of employee raises and preparation cost for a proposed new school complex.

General Fund Budgetary Highlights

The School Board's budget is prepared according to Louisiana law. During the course of the year, the School Board revises its budget to take into consideration significant changes in revenues or expenditures. Louisiana Revised Statute 39:1311 requires a budget amendment if either expected revenues are less or anticipated expenditures are in excess of budgetary goals by five percent (5%) or more. The original budget for the School Board was adopted on June 9, 2003. A statement showing the School Board's original and final budget compared with actual operating results is provided in this financial report. The School Board's year-end actual results were better than had been budgeted, as conservative budgetary practices are customary. Revenues are forecast conservatively and expenditures are budgeted in anticipation of all possible costs and projects. The General Fund's actual revenues exceeded projected revenues by \$647,958. Total expenditures were more than projected by \$484,194. A comparison of actual results as of June 30, 2004 and the final budget for the General Fund are as follows:

Original Budget Comparison
June 30, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Total Revenues	\$ 20,882,031	\$ 21,496,341	\$ 614,310
Total Expenditures	<u>(21,454,551)</u>	<u>(21,936,211)</u>	<u>(481,660)</u>
Net Change in Fund Balance	<u>\$ (572,520)</u>	<u>\$ (439,870)</u>	<u>\$ (132,650)</u>

**BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the School Board has approximately \$14 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, and other equipment.

Capital Assets at
June 30, 2004

	2004
Land	\$ 290,626
Buildings and improvements	11,436,957
Furniture and equipment	2,036,296
Construction in progress	450,324
Totals	\$ 14,214,203

During the current year, additions of \$3,408,114 of fixed assets were capitalized while \$271,228 were deleted. Other long-term obligations include accrued sick leave and annual leave at June 30, 2004 of both current and long-term obligations was \$846,882.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The financial well being of the School Board is tied in large measure to the state funding formula and the tax base. A major concern of the School Board is funding provided by the Minimum Foundation Program. The School Board will have to rely on the general fund to maintain current levels of operation.

GOING CONCERN

As reported in the accompanying fund financials, expenditures and other uses exceeded revenues and other sources for the year ended June 30, 2004 in the amount of \$604,324. For the year ended June 30, 2003, expenditures and other uses exceeded revenues and other sources in the amount of \$806,215. The fund balance at June 30, 2004 was \$64,140 in the General Fund. A decline in student enrollment and an increase in salaries and other costs have contributed to these losses. In response to deficits, management has implemented significant cost reductions and is developing a plan to reduce expenses. Nonessential capital expenditures, and certain other expenditures have been eliminated or postponed. Short-term borrowings have also been used as further explained in Note 18. Management is hopeful that its plan will eliminate or significantly reduce any deficits for the year ended June 30, 2005 and future years.

BOGALUSA CITY SCHOOL BOARD
BOGALUSA, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2004

Because it is uncertain whether the School Board will be successful in accomplishing its plan, there is uncertainty about the School Board's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the School Board be unable to continue as a going concern.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

While this financial report is designed to provide full and complete disclosure of the financial condition and operations of the School Board, citizens groups, taxpayers, parents, students, other parish officials, investors or creditors may need further details. To obtain such details, please contact Bogalusa City School District, Post Office Box 310, Bogalusa, LA 70429, or by calling (985) 735-1392 during regular office hours, Monday through Friday, 8:00 a.m. to 4:00 p.m., Central Standard Time, or e-mail at hdneely@hotmail.com.

BASIC FINANCIAL STATEMENTS

CITY OF BOGALUSA SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	
Cash and cash equivalents	\$ 1,115,385
Receivables	1,663,550
Inventory	53,641
Capital assets (net of accumulated depreciation)	<u>4,318,787</u>
Total Assets	<u>7,151,363</u>
 LIABILITIES	
Accounts, salaries, and other payables	2,240,428
Noncurrent liabilities:	
Due within one year	398,133
Due in more than one year	<u>448,749</u>
Total Liabilities	<u>3,087,310</u>
 NET ASSETS	
Invested in capital assets, net of related debt	4,318,787
Unrestricted	<u>(254,734)</u>
 TOTAL NET ASSETS	 <u><u>\$ 4,064,053</u></u>

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

**CITY OF BOGALUSA SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:					
Instruction:					
Regular programs	\$ 7,494,612	\$ 12,620	\$ -	\$ -	\$ (7,481,992)
Special programs	4,980,807	-	4,577,087	-	(403,720)
Vocational programs	660,922	-	-	-	(660,922)
All other programs	1,106,117	-	-	-	(1,106,117)
Adult programs	33,160	-	-	-	(33,160)
Support services:					
Student services	1,094,640	-	-	-	(1,094,640)
Instructional staff support	1,242,368	-	600,842	-	(641,526)
General administration	485,745	-	75,745	-	(410,000)
School administration	1,413,174	-	-	-	(1,413,174)
Business services	682,158	-	-	-	(682,158)
Plant services	2,997,054	-	14,665	1,570,360	(1,412,029)
Student transportation services	1,032,853	36,581	17,554	-	(978,718)
Central services	79,827	-	-	-	(79,827)
Food services	1,764,842	120,916	1,365,797	-	(278,129)
Community service programs	104,778	-	106,628	-	1,850
Total Governmental Activities	\$ 25,173,057	\$ 170,117	\$ 6,758,318	\$ 1,570,360	(16,674,262)
General revenues:					
Property taxes					3,345,905
Sales and use taxes					2,054,345
State revenue sharing					225,541
Grants and contributions not restricted to specific purposes:					
Minimum Foundation Program					13,159,662
Unrestricted investment earnings					1,016
Miscellaneous					120,399
					<u>18,906,868</u>
					<u>18,906,868</u>
Change in net assets					<u>2,232,606</u>
Net assets - July 1, 2003					<u>2,125,059</u>
Prior Period Adjustment (See Footnote 17)					<u>(293,612)</u>
Net assets - July 1, 2003 (as restated)					<u>1,831,447</u>
Net assets - June 30, 2004					<u>\$ 4,064,053</u>

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

CITY OF BOGALUSA SCHOOL BOARD
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2004

	General Fund	Food Services	Leeway Maintenance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 203,418	\$ 150,795	\$ 530,020	\$ 231,152	\$ 1,115,385
Receivables	1,221,717	-	5,041	436,792	1,663,550
Due from other funds	1,164,066	333,069	-	44,955	1,542,090
Inventory	-	53,641	-	-	53,641
TOTAL ASSETS	\$ 2,589,201	\$ 537,505	\$ 535,061	\$ 712,899	\$ 4,374,666

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts, salaries, and other payables	\$ 2,184,777	\$ -	\$ -	\$ 55,651	\$ 2,240,428
Due to other funds	340,284	10,374	534,184	657,248	1,542,090
Total Liabilities	2,525,061	10,374	534,184	712,899	3,782,518

Fund balances:					
Reserved for:					
Inventory	-	53,641	-	-	53,641
Unreserved, Reported In:					
General Fund	64,140	-	-	-	64,140
Special Revenue Funds	-	473,490	877	-	474,367
Total Fund Balances	64,140	527,131	877	-	592,148

TOTAL LIABILITIES AND FUND BALANCES

\$ 2,589,201	\$ 537,505	\$ 535,061	\$ 712,899	\$ 4,374,666
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The notes to the financial statements are an integral part of this statement.

**CITY OF BOGALUSA SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2004**

Total Fund Balances at June 30, 2004 - Governmental Funds		<u>\$ 592,148</u>
Cost of capital assets at June 30, 2004	\$ 14,214,203	
Less - accumulated depreciation as of June 30, 2004:		
Buildings and improvements	(9,091,793)	
Furniture and equipment	<u>(803,623)</u>	<u>4,318,787</u>
Elimination of interfund assets and liabilities:		
Due from other funds	1,542,090	
Due to other funds	<u>(1,542,090)</u>	<u>-</u>
Long-term liabilities at June 30, 2004:		
Compensated absences		<u>(846,882)</u>
Net Assets at June 30, 2004		<u><u>\$ 4,064,053</u></u>

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

**CITY OF BOGALUSA SCHOOL BOARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2004**

	General	Food Services	Leeway Maintenance	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 2,831,817	\$ -	\$ 514,088	\$ -	\$ 3,345,905
Sales and use	2,054,345	-	-	-	2,054,345
Interest earnings	1,016	-	-	-	1,016
Charges for services	49,201	120,505	-	411	170,117
Other	120,152	247	-	-	120,399
Total Local Sources	5,056,531	120,752	514,088	411	5,691,782
State sources:					
Minimum Foundation Program	13,121,009	38,653	-	-	13,159,662
Revenue Sharing	201,798	-	23,743	-	225,541
Other	1,774,518	-	-	106,511	1,881,029
Total State Sources	15,097,325	38,653	23,743	106,511	15,266,232
Federal Sources	1,342,485	1,241,366	-	3,863,798	6,447,649
TOTAL REVENUES	21,496,341	1,400,771	537,831	3,970,720	27,405,663
EXPENDITURES					
Current:					
Instruction:					
Regular programs	8,594,425	-	-	-	8,594,425
Special programs	3,556,186	-	-	1,399,495	4,955,681
Vocational programs	661,410	-	-	-	661,410
All other programs	1,116,377	-	-	-	1,116,377
Adult programs	33,160	-	-	-	33,160
Support services:					
Student services	1,097,312	-	-	-	1,097,312
Instructional staff support	639,026	-	-	600,842	1,239,868
General administration	463,680	-	-	75,745	539,425
School administration	1,392,336	-	-	-	1,392,336
Business services	684,995	-	-	-	684,995
Plant services	2,515,912	-	549,160	14,665	3,079,737
Student transportation services	1,010,325	-	-	17,554	1,027,879
Central services	81,644	-	-	-	81,644
Food services	-	1,568,819	-	170,508	1,739,327
Community service programs	-	-	-	106,628	106,628
Construction and land improvement	89,423	-	-	1,570,360	1,659,783
Total expenditures	21,936,211	1,568,819	549,160	3,955,797	28,009,987

(Continued)

**CITY OF BOGALUSA SCHOOL BOARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended June 30, 2004**

	<u>General</u>	<u>Food Services</u>	<u>Leeway Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(439,870)	(168,048)	(11,329)	14,923	(604,324)
OTHER FINANCING SOURCES (USES)					
Transfers in	76,696	-	-	-	76,696
Transfers out	-	-	-	(76,696)	(76,696)
Total Other Financing Sources(Uses)	76,696	-	-	(76,696)	-
NET CHANGES IN FUND BALANCES	(363,174)	(168,048)	(11,329)	(61,773)	(604,324)
FUND BALANCES - Beginning	308,970	695,179	12,206	61,773	1,078,128
Prior Period Adjustment (See Footnote 17)	118,344	-	-	-	118,344
FUND BALANCES - Beginning - Restated	427,314	695,179	12,206	61,773	1,196,472
FUND BALANCES - Ending	<u>\$ 64,140</u>	<u>\$ 527,131</u>	<u>\$ 877</u>	<u>\$ -</u>	<u>\$ 592,148</u>

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

**CITY OF BOGALUSA SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

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

Net change in fund balances - total governmental funds	\$ (604,324)
--	--------------

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Depreciation expense	\$ (323,191)	
Completed Construction in Progress capitalized	(224,891)	
Capital outlays capitalized	<u>3,408,114</u>	2,860,032

In the statement of activities, certain operating expense-compensated absences 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 (amounts actually paid).

Compensated absences earned exceeded the amounts used by \$23,102.	<u>(23,102)</u>
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Change in net assets of governmental activities	<u><u>\$ 2,232,606</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF BOGALUSA SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-
SCHOOL ACTIVITY AGENCY FUNDS
FIDUCIARY FUNDS
June 30, 2004

ASSETS	
Cash and cash equivalents	<u>\$ 158,756</u>
TOTAL ASSETS	<u><u>\$ 158,756</u></u>
LIABILITIES	
Capital lease payable	\$ 4,381
Deposits due others	<u>154,375</u>
TOTAL LIABILITIES	<u><u>\$ 158,756</u></u>

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

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bogalusa School Board (the "School Board") is an independent special district created for the purpose of providing elementary and secondary education to the citizens of Bogalusa, Louisiana. The School Board is governed by an elected board comprised of seven members.

The following is a summary of the School Board's significant accounting policies which conform to generally accepted accounting principles as applicable to governmental units:

Reporting Entity - In conformity with the Governmental Accounting Standards Board's definition of a reporting entity, the basic financial statements of the School Board include the accounts of all School Board operations. The School Board is considered a stand-alone reporting entity based on the following criteria:

- a. *Responsibility for surpluses/deficits.* The School Board is solely responsible for its surpluses/deficits. No other governmental unit is responsible for its deficits or has a claim to its surpluses.
- b. *Budget Approval.* The School Board is solely responsible for reviewing, approving and revising its budget.
- c. *Responsibility for Debt.* The School Board is authorized to issue bonds. The School Board is solely responsible for payments to the bondholders. No other governmental unit is required by statute to make any payments to bondholders nor have any payments to bondholders ever been made by any governmental unit, except the School Board.
- d. *Designation of Management.* The School Board controls the hiring of management and employees.
- e. *Special Financial Relationship.* The School Board has no special financial relationships with any other governmental unit.
- f. *Statutory Authority.* The School Board's statutory authority was created by the State of Louisiana as an independent governmental unit. Only an amendment to state statutes can change or abolish the School Board's authority.

Additionally, the School Board is a legally separate governmental organization that has a separately elected governing body and does not meet the definition of a component unit.

The School Board operates 10 schools within the City with a total enrollment of approximately 2700 pupils. In conjunction with the regular education programs, some of these schools offer special education and/or adult education programs. In addition, the School Board provides transportation and school food services for the students.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For financial reporting purposes, the School Board includes all funds and activities for which the School Board exercises financial accountability. The School Board members, who are elected by the public, have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Certain units of local government, over which the School Board exercises no financial accountability, such as other independently elected parish officials and municipalities within the parish, are excluded from the financial statements. These units of government are considered separate reporting entities and issue financial statements separate from that of the School Board. The School Board is not a component unit of any other entity and does not have any component units which require inclusion in the basic financial statements.

Basis of Presentation - Fund Accounting - The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The various funds are summarized by type in the financial statements. The following fund types are used by the School Board:

Governmental Funds

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

General Fund - to account for all financial resources and expenditures except those required to be accounted for in another fund.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Fund – to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Fiduciary Fund Types

The *Fiduciary Fund* is used to account for assets held by the School Board in a trustee or agency capacity. The School Board maintains one fiduciary fund type, an agency fund. An agency fund is custodial in nature and does not present results of operations or have a measurement focus.

Agency Funds - to account for assets held by the School Board as an agent for others.

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

Measurement Focus/Basis of Accounting

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the School Board, except for the fiduciary fund. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities - Agency Funds. The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Program Revenues

Program revenues included in the Statement of activities derive directly from parties outside the School Board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the School Board's general revenues.

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

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

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

Governmental funds and the agency fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School Board considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

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

Revenues from local sources consist primarily of sales, use and property taxes. Year-end accrual of sales and use tax revenue is based upon June and prior months' sales and use taxes collected during July and August of the following year. Property tax revenues and revenues received from the State of Louisiana (the "State") are recognized as revenue primarily when received except at year end when they are accrued for a period not exceeding 60 days. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Generally, investment earnings are recorded as earned since they are measurable and available. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

Expenditures

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) costs of accumulated unpaid vacation, sick leave and other employee benefit amounts are reported in the period due and payable rather than the period earned by employees; (2) general long-term obligations principal and interest payments are recognized when due. Commitments under construction contracts are recognized as expenditures when earned by the contractor. Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. The cost of earned leave privileges not requiring current resources is not recorded in the FFS but is recorded in the GWFS as long-term liabilities.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget and Budgetary Accounting - Under Louisiana Revised Statutes 39:1304, the School Board adopts an annual budget of expected revenues and probable expenditures for the General Fund and Special Revenue Funds. The budgetary process includes public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. The budget is adopted and submitted to the State Department of Education no later than September 15th each year. Once a budget is approved by the State Department of Education, it can be amended at the function level at the discretion of management unless it becomes evident that receipts or disbursements will vary substantially from those budgeted. Then, the School Board shall prepare and adopt an amended budget. During the year, several discretionary amendments were necessary. Generally, such discretionary amendments were of an insignificant nature.

Budgetary control is exercised at the revenue and expenditure function level. Budgeted amounts reflected in the accompanying basic financial statements were adopted by the School Board in September 2003 and include amendments made through June 2004.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded, is not employed by the School Board, and encumbrances outstanding at year-end are not reported.

Cash and Cash Equivalents - Cash and cash equivalents include all short-term, highly liquid investments (including certificates of deposit) with original maturity of three months or less when purchased.

Investments - Investments are stated at market value, which is based on published prices.

Inventories - The Food Service Fund inventories consist of purchased food and supplies and commodities received as donations through the federal school lunch program. Such inventories are priced at cost (except for commodities received as donations which are priced using the USDA price list for commodities) on a first-in, first-out basis. The commodities are recorded as revenues when received. However, all inventories consumed are recorded as commodities expenditure (consumption method).

Capital Assets - Capital assets that are purchased are recorded at cost or estimated historical cost. Actual historical cost data was not available for certain assets acquired prior to June 30, 1989. In those cases where it was not feasible to determine the actual cost, the assets were valued at estimated historical cost. Capital assets which are donated are recorded at their fair market value on the date received.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. All capital assets with an original cost of \$5,000 or greater, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-30 years
Furniture and equipment	5 years

Compensated Absences

- A. Vacation and Sick Leave - All full-time employees of the School Board are permitted to accrue vacation days (annual leave) and sick pay (sick leave). Annual leave can be accumulated up to a maximum of 15 days at the end of each fiscal year. Sick leave may accrue up to an unlimited number of days. Upon termination of employment, the employee is paid for all accrued sick leave up to a maximum of 25 days. In the governmental funds, only that portion which will be liquidated within one year with expendable available financial resources is accrued at year-end. The term "expendable available financial resources" as used in this context means unreserved, undesignated fund balance. The remainder of the accrued liability which is applicable to governmental fund types is reported in the GWFS as long-term liabilities. Only that portion of accumulated sick leave which is vested is accrued.

- B. Sabbatical Leave - Any employee with a teaching certificate is entitled, subject to approval, to one semester of sabbatical leave after three or more years of continuous service or two semesters of sabbatical leave after six or more years of continuous service. Sabbatical leaves may be granted for rest and recuperation or professional and cultural improvement and must be approved by the School Board. Unused sabbatical leave may be carried forward to periods subsequent to that in which it is earned. Sabbatical leave does not vest. Sabbatical leave benefits are recorded as expenditures in the period paid.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of current leave privileges is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when an employee (heir) is paid for accrued leave upon retirement or death.

The compensated absence liability is reported on the GWFS.

For the FFS, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Restricted Net Assets

For GWFS Statement of Net Assets, net assets are reported as restricted when constraints placed on net assets used are either:

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

Imposed by law through constitutional provisions or enabling legislation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2. CASH AND INVESTMENTS

Deposits - Under state law, the School Board may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under state law and national banks having their principal offices in Louisiana. In accordance with Louisiana Statutes, the School Board maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System.

Louisiana Statutes require that all School Board deposits be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2004, the carrying amount of total deposits was \$1,115,385 for the System and \$158,756 for the agency fund. The bank balances for these deposits totaled \$1,905,537 at June 30, 2004, and were insured or collateralized with securities held by the pledging financial institution or its agent, but not in the School Board's name. These deposits in excess of the insured amounts are considered Category 3 in accordance with GASB Statement No. 3.

Investments

Cash balances of the School Board's funds are pooled and invested to the extent possible in authorized investments. Interest earned on invested cash is distributed to the various funds on the basis of the actual invested cash balances of the participating funds during the year.

The School Board invests idle funds as authorized by Louisiana Statutes in direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States. The investments are in the name of the School Board and are held in the trust department of a custodial bank.

At June 30, 2004, the School Board held no investments.

3. RECEIVABLES

The receivables at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Sales and use taxes	\$ 303,388	\$ -	\$ 303,388
Grants:			
Federal	585,763	420,920	1,006,683
State	173,408	15,872	189,280
Other	<u>159,158</u>	<u>5,041</u>	<u>164,199</u>
Total	<u>\$1,221,717</u>	<u>\$ 441,833</u>	<u>\$1,663,550</u>

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Leeway Maintenance	\$ 534,184
	Idea B	300,913
	Title I	219,993
	Title II	85,083
	Title V	2
	HIPPY	15,235
	REAP	8,656
Food Service Special Revenue Fund	General	333,069
Summer Food Special Revenue Fund	Food Service	10,374
REAP	General	7,215
IDEA B Special Education Special Revenue Fund	Preschool	17,744
	ESYP	<u>9,622</u>
	Total	<u>\$1,542,090</u>

The General Fund borrowed funds from the Food Service Special Revenue Fund during the year ended June 30, 2004. The total amount owed to Food Service by General Fund is \$333,069. The Louisiana Food and Nutrition Program Guidelines require that school food service funds that are borrowed by the General Fund must be repaid within the same fiscal year and a market interest rate of at least 1% must be paid. All other balances represent short-term receivables and payables incurred in the normal course of the School Board's operations.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

Interfund transfers for the year ended June 30, 2004 are as follows:

Transfers Out to General Fund:

Title I	\$32,201
Title II	9,314
Title III	23
Title V	567
IDEA B Special Education	33,972
Preschool Special Education	<u>619</u>
Total Transfer to General Fund	<u>\$76,696</u>

General Fund received indirect cost allocations from federal award programs for the funds indicated for the year ended June 30, 2004.

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Land	\$ 290,626	\$ -	\$ -	\$ 290,626
Buildings and improvements	9,703,078	1,733,879	-	11,436,957
Furniture and equipment	858,722	1,223,911	(46,337)	2,036,296
Construction in progress	<u>224,891</u>	<u>450,324</u>	<u>(224,891)</u>	<u>450,324</u>
Total	<u>\$ 11,077,317</u>	<u>\$ 3,408,114</u>	<u>\$ (271,228)</u>	<u>\$ 14,214,203</u>
Less accumulated depreciation:				
Building and improvements	\$ 8,874,990	\$ 216,803	\$ -	\$ 9,091,793
Furniture and equipment	<u>743,572</u>	<u>106,388</u>	<u>(46,337)</u>	<u>803,623</u>
Total	<u>9,618,562</u>	<u>323,191</u>	<u>(46,337)</u>	<u>9,895,416</u>
Capital assets, net	<u>\$ 1,458,755</u>	<u>\$ 3,084,923</u>	<u>\$ (224,891)</u>	<u>\$ 4,318,787</u>

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$323,191 for the year ended June 30, 2004, was charged to the following governmental functions:

Instruction:	
Regular Education	\$ 53,948
Special Education	1,498
Vocational Education	-
Other Educational Programs	-
Support Services:	
Student Services:	2,635
Instructional Staff Support	9,055
General Administration	5,618
School Administration	13,288
Business Services	2,038
Plant Services	219,461
Student Transportation	-
Central Services	-
School Food Services	15,650
Community Service	-
Total	<u>\$ 323,191</u>

6. SALES AND USE TAX

For the year ended June 30, 2004, a one cent local sales and use tax was levied and collected within Washington Parish by the Washington Parish Sheriff's Office of which 55% was received by the School Board. All of the sales tax proceeds are used to pay payroll related expenditures of the School Board.

7. SALARIES AND OTHER PAYABLES

Payables at June 30, 2004 are as follows:

	General Fund	Special Revenue Funds	Total
Accounts payable	\$ 986,758	\$ 55,651	\$ 1,042,409
Salaries and withholdings	1,089,381	-	1,089,381
Employer's portion of retirement payable	108,638	-	108,638
Total	<u>\$ 2,184,777</u>	<u>\$ 55,651</u>	<u>\$ 2,240,428</u>

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

8. CHANGES IN LONG-TERM DEBT

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

Balance July 1, 2003	Prior Period Adjustment	Additions	Retirements	Balance June 30, 2004	Due Within One Year
<u>\$411,817</u>	<u>\$411,963</u>	<u>\$421,234</u>	<u>\$(398,132)</u>	<u>\$846,882</u>	<u>\$398,133</u>

Compensated absences were understated for the year ended June 30, 2003 by \$411,963. The restated compensated absence liability for June 30, 2003 was \$823,780. This amount was included as a prior period adjustment in the GWFS.

9. RESERVATION OF FUND BALANCES

At June 30, 2004, the Food Services Fund had a reservation of fund balance for inventory in the amount of \$53,641. This reservation indicates that the balance does not constitute available expendable resources even though inventory is a component of net current assets.

10. PROPERTY TAXES

The School Board levies taxes on real and business personal property located within Ward 4 of Washington Parish. Property taxes are levied by the School Board on property values assessed by the Washington Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Washington Parish Sheriff's Office bills and collects property taxes for the School Board.

Property Tax Calendar

Assessment date	January 1
Total taxes are due	About November 15
Penalties and interest are added	December 31
Lien date	January 1
Tax sale - delinquent property	About June 1

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

10. PROPERTY TAXES (CONTINUED)

The following is a summary of levied ad valorem taxes for the year ended June 30, 2004:

	<u>Levied</u> <u>Millage</u>	<u>Expiration</u> <u>Date</u>
Bogalusa School Board taxes:		
Constitutional	6.43	Indef.
Operations	6.43	2005
Construction, operation, and maintenance	5.02	2012
Operations	3.11	2008
Special Leeway Maintenance	7.76	2008
Operations	22.06	2008

11. RETIREMENT SYSTEMS

Substantially all employees of the School Board are required by State law to belong to retirement plans administered by the Teachers' Retirement System ("TRS") or the Louisiana School Employees' Retirement System ("LSERS"), both of which are administered on a statewide basis. Each plan issues a separate financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling the plan.

Teachers' Retirement System of Louisiana
 Post Office Box 94123
 Baton Rouge, Louisiana 70804-9123
 (225) 925-6446

Louisiana School Employees' Retirement System
 Post Office Box 44516
 Baton Rouge, Louisiana 70804-4516
 (225) 924-6484

Disclosures relating to these plans follow:

A. TEACHERS' RETIREMENT SYSTEM

1. *Plan Description* - All teachers, administrators, and school lunch employees of the School Board are covered by defined benefit contributory pension plans administered and controlled by a separate Board of Trustees. The Board of Trustees administers plans which are cost-sharing multiple-employer public employee retirement systems.

All teachers, administrators, and school lunch employees are eligible to participate in the TRS plans. Teachers and administrators belong to the Teachers' Regular Plan, and school lunch employees belong to the Teachers' Plan A plan. Benefits are established by State statute.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

11. RETIREMENT SYSTEMS (CONTINUED)

TRS provides retirement benefits as well as death and disability benefits. Death and disability benefits vest after 5 years of credited service. Normal retirement is at age 60 with 10 years of service or 20 years of service regardless of age for the Teachers' Regular plan members. For the Teachers' Plan A plan members, normal retirement is at any age with 30 or more years of creditable service, at age 55 with at least 25 years of creditable service, and at age 60 with at least 10 years of creditable service. Retirement benefits are based upon the following formula percentages.

<u>Years of Service</u>	<u>Minimum Age</u>	<u>Teachers' Regular</u>	<u>Teachers' Plan A</u>
10	60	2.0% per year	1.0% or 3.0% per year
20	Any age	2.0% per year	1.0% or 3.0% per year
25	55	2.5% per year	1.0% or 3.0% per year
30	Any age	2.5% per year	1.0% or 3.0% per year
20	65	2.5% per year	1.0% or 3.0% per year

The percentage formula is applied to the average of the highest three successive annual salaries. The benefit is payable for life with eight available annuity payment plans. The plans also provide various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined in accordance with the plan.

Contributions Required and Made - Covered employees and the School Board are required by State statute to contribute fixed percentages of employees' gross earnings to the pension plans. Contribution rates for the plans are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer Contribution</u>
Teachers' Regular	8.00%	13.8%	\$1,898,592
Teachers' Plan A	9.10%	13.8%	\$ 11,556

The School Board's contributions to TRS for the years ended June 30, 2004, 2003 and 2002 were \$1,910,148, \$1,633,440, and \$1,527,137, respectively, equal to the required contributions for each year.

B. SCHOOL EMPLOYEES' RETIREMENT SYSTEM

1. *Plan Description* - Employees who are not teachers, administrators, or school lunch employees are covered by defined benefit contribution pension plans administered and controlled on a statewide basis by a separate Board of Trustees. The Board of Trustees administers this plan which is a cost-sharing multiple-employer public employees retirement system.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

11. RETIREMENT SYSTEMS (CONTINUED)

All employees, other than teachers, administrators, and food services employees, are eligible to participate in the LSERS. Benefits are established by State statute.

LSERS provides retirement benefits as well as death and disability benefits. Death and disability benefits vest after 5 years of credited service. Normal retirement is at any age with 30 or more years of creditable service, at age 55 with at least 25 years of creditable service, and at age 60 with at least 10 years of creditable service. The maximum retirement and disability benefit is an amount equal to 2 1/2% of the average compensation for the three highest consecutive years of credited service, multiplied by the number of years of service, plus a supplementary allowance of \$2.00 per month for each month of service. The plan also provides various death benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined in accordance with the plan.

2. *Contributions Required and Made* - Covered employees and the School Board are required by State statute to contribute fixed percentages of employees' gross earnings to the pension plans. Contribution rates for the plan are 7.50% for participating employees and 8.50% for the School Board. However, the School Board employer contribution was funded by the State of Louisiana through annual appropriations for the years ended June 30, 2003 and 2004.

12. POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In accordance with State statutes, the School Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the School Board's employees become eligible for these benefits if they reach normal retirement age while working for the School Board. Currently, retirees are eligible to participate in these benefits. These benefits for retirees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the retirees and by the School Board.

During fiscal year 2004, the School Board contributed 52% of the total premiums for health care insurance provided to the retirees. The School Board recognizes the cost of providing these benefits (the School Board's portion of premiums) as an expenditure on a pay-as-you-go basis when the monthly premiums are due. The School Board's net cost of providing all health care benefits to the approximately 341 active and retired participating employees amounted to \$2,381,214 for 2004. For 2003, the School Board's cost of premiums paid for retirees totaled \$1,017,463.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

13. EXPENDITURES - ACTUAL AND BUDGET

Under state law, the Superintendent is required to complete and submit a budget for its General and Special Revenue Funds to the School Board no later than fifteen days prior to the beginning of the fiscal year to which the budget applies. The total proposed expenditures may not exceed the total of estimated funds available at the fund level. Public participation in the budgetary process prior to adoption of the budget is required if the total proposed expenditures are \$250,000 or more. The budgets presented in the accompanying basic financial statements are the original and amended budgets (if applicable) which were adopted by the School Board.

Actual revenues under budgeted revenues with a 5% or greater variance are as follows for the year ended June 30, 2004:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Food Service Fund	\$1,600,000	\$1,400,771	\$(199,229)
Summer Food	223,065	124,842	(98,223)
Preschool Special Education	53,921	26,654	(27,267)
ESYP Special Education	19,826	17,270	(2,556)
Title I	1,536,945	1,132,285	(404,660)
Title II	388,293	313,757	(74,536)
Title III	1,611	889	(722)
Title V	25,755	20,600	(5,155)
REAP	123,442	97,661	(25,781)

Louisiana Revised Statute 39:1310 exempts special revenue funds which are expenditure driven from the requirements to adopt amended budgets if projected revenues or expenditures deviate more than five percent from the adopted budget. All of these funds would be considered expenditure driven. However, the School Board should be notified in writing when these variances occur.

Actual expenditures over budgeted expenditures with a 5% or greater variance are as follows for the year ended June 30, 2004:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Leeway Maintenance Fund	\$436,969	\$549,160	\$112,211

The School System did not amend the budget when actual beginning fund balance did not meet estimated beginning fund balance by 5% or more and fund balance was used to fund current expenditures for the following funds:

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

13. EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 572,520	\$ 308,970	\$ (263,550)
Leeway Maintenance Fund	72	12,206	12,134
Food Service Fund	568,575	695,179	126,604
Summer Food Fund	-0-	45,666	45,666
IDEA B Fund	-0-	16,107	16,107

Actual expenditures over appropriations by 5% or greater at the functional level are as follows:

	<u>Expenditures</u>		<u>Unfavorable</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Vocational programs	\$ 405,318	\$ 661,410	\$ (256,092)
Other instructional	830,398	1,116,377	(285,979)
Adult education	7,830	33,160	(25,330)
Instructional staff support	463,802	639,026	(175,224)
Business services	422,263	684,995	(262,732)
Plant services	1,306,514	2,515,912	(1,209,348)
Student transportation service	873,676	1,010,325	(136,649)
Central services	67,726	81,644	(13,918)
IDEA B Special Education Fund:			
Instructional staff support	-	77,039	(77,039)
General administration	-	266	(266)
Student transportation services	-	11,036	(11,036)
Extended School Year Program:			
Student transportation services	-	6,468	(6,468)
Title II Fund:			
General administration	1,323	1,500	(177)
Leeway Maintenance Fund:			
Plant services	436,949	549,160	(112,211)
HIPPY Fund:			
General administration	-	276	(276)
Student transportation services	-	50	(50)
Community service operations	500	845	(345)

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

14. LITIGATION

At June 30, 2004, the School Board was a defendant in several lawsuits arising principally from the normal course of operations. The ultimate resolution of these lawsuits would not materially affect the financial statements in the opinion of the legal advisor of the School Board.

15. RISK MANAGEMENT

The School Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School Board carries commercial insurance.

17. PRIOR PERIOD ADJUSTMENT

In the June 30, 2003 government-wide financial statements, compensated absences payable were erroneously reported as \$ 411,817. The correct balance for compensated absences as of June 30, 2003 was \$ 823,780. This error had no effect on the Statement of Activities as of June 30, 2003 as the correct amount in change in compensated absences was reported as an expense. However, beginning net assets and ending net assets on the statement were understated by the error of \$ 411,963. In addition, as reported on the Statement of Net Assets as of June 30, 2003, compensated absences payable were understated by \$ 411,963. This prior period adjustment is presented as an adjustment to the beginning net assets balance in the Statement of Activities. This prior period adjustment would not affect the fund financial statements as compensated absences payable are not recorded on those statements.

In the June 30, 2003 fund financial statements and the government-wide financial statements, payroll payables were overstated by \$253,404 and receivables were understated by \$135,053. The effect of this error was to overstate liabilities and expenditures by \$253,404 and to understate revenues and assets by \$135,053. The net effect of this error on ending fund balance at June 30, 2003 was \$118,344.

Prior Period Adjustment Summary for Government-wide Financials:	
Understatement of Compensated Absences	\$ (411,963)
Understatement of Revenues	(135,053)
Overstatement of Expenditures	<u>253,404</u>
Total	<u>\$ 293,612</u>

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

18. SUBSEQUENT EVENT

Short-term Budgetary Loan

On October 11, 2004 the Bogalusa School Board adopted a resolution to issue a Revenue Anticipation Note in the amount of \$ 1,000,000 for the purpose of paying current operations in anticipation of revenues accruing to the general fund of the issuer for the current fiscal year ending June 30, 2005, under the authority conferred by the provisions of La. R.S. 17:89, and other constitutional and statutory authority. The note is a "qualified tax-exempt obligation" within the meaning of Section 265(b) (3) of the Internal Revenue Code of 1986. The note was issued October 22, 2004 with an interest per anum equal to the Prime Rate (as determined daily by the Prime Rate set forth in the Wall Street Journal) not to exceed 6% at any time. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Note, upon maturity or prepayment, together with interest thereon, is payable to Parish National Bank.

Energy Performance Contract

The School Board implemented an energy performance contact with Johnson Controls, Inc. in September 2004. The program addresses energy efficiency improvements in the Bogalusa High School and Bogalusa Jr. High School.

The cost of the program is \$476,954 which includes the Johnson Control, Inc. contract at \$456,954 plus \$20,000 allowance for asbestos abatement, and \$9,526.90 capitalized interest costs associated with delaying payments until the energy measures are complete.

19. CAPITAL AND OPERATING LEASES

The School Board entered into various lease agreements for the rental of temporary buildings on a month to month basis. These leases are accounted for as operating leases with varying monthly payments. Total lease expense for the year ended June 30, 2004 was \$16,099.

The Bogalusa High School leases a copy machine. This lease is considered a capital lease for accounting purposes. The copier was recorded as a capital assets in the amount of \$10,950 and depreciated. The capital lease payable is recorded in the fiduciary fund – agency fund. The High School pays the lease through a school activity account. The lease began on March 30, 2001 and expires on March 31, 2006. Sixty payments are to be made equal to \$226 each for a total lease amount of \$13,534 consisting of interest and principal of \$2,584 and \$10,950, respectively. The balance of the lease at June 30, 2004 was \$4,381.

CITY OF BOGALUSA SCHOOL BOARD
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

19. CAPITAL AND OPERATING LEASES

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2004, was as follows:

	Year Ending June 30
2005	\$ 2,707
2006	<u>2,030</u>
Total minimum lease payments	4,737
Less: amount representing interest	<u>(356)</u>
	<u><u>\$ 4,381</u></u>

20. GOING CONCERN

As reported in the accompanying fund financials, expenditures and other uses exceeded revenues and other sources for the year ended June 30, 2004 in the amount of \$604,324. For the year ended June 30, 2003, expenditures and other uses exceeded revenues and other sources in the amount of \$806,215. The fund balance at June 30, 2004 was \$64,140 in the General Fund. A decline in student enrollment and an increase in salaries and other costs have contributed to these losses. In response to deficits, management has implemented significant cost reductions and is developing a plan to reduce expenses. Nonessential capital expenditures, and certain other expenditures have been eliminated or postponed. Short-term borrowings have also been used as further explained in Note 18. Management is hopeful that its plan will eliminate or significantly reduce any deficits for the year ended June 30, 2005 and future years.

Because it is uncertain whether the School Board will be successful in accomplishing its plan, there is uncertainty about the School Board's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the School Board be unable to continue as a going concern.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

**CITY OF BOGALUSA SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE
FUNDS WITH LEGALLY ADOPTED BUDGETS**

GENERAL FUND

To account for resources traditionally associated with the School Board which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Food Services - A program that provides nourishing meals to students in all grades. This program is supplemented by both federal and state funds that are based on reimbursement and participation.

Leeway Maintenance Fund – Accounts for the receipt and disbursement of a 7.76 mill ad valorem tax. The proceeds are dedicated as a special tax leeway for maintenance.

**CITY OF BOGALUSA SCHOOL BOARD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive/ (Negative)
	Original	Final		
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 2,933,111	\$ 2,933,111	\$ 2,831,817	\$ (101,294)
Sales and use	2,030,706	2,030,706	2,054,345	23,639
Interest earnings	-	-	1,016	1,016
Charges for services	-	-	49,201	49,201
Other	78,500	78,500	120,152	41,652
Total local sources	<u>5,042,317</u>	<u>5,042,317</u>	<u>5,056,531</u>	<u>14,214</u>
State sources:				
Minimum Foundation Program	12,282,494	12,282,494	13,121,009	838,515
Revenue sharing	206,288	206,288	201,798	(4,490)
Professional improvement program	109,770	109,770	106,637	(3,133)
Other state support	2,064,816	2,064,816	1,667,881	(396,935)
Total state sources	<u>14,663,368</u>	<u>14,663,368</u>	<u>15,097,325</u>	<u>433,957</u>
Federal sources	<u>1,173,812</u>	<u>1,176,346</u>	<u>1,342,485</u>	<u>166,139</u>
Total revenues	<u>20,879,497</u>	<u>20,882,031</u>	<u>21,496,341</u>	<u>614,310</u>
EXPENDITURES				
Current:				
Instruction:				
Regular programs	8,532,221	8,532,221	8,594,425	(62,204)
Special programs	3,311,902	3,314,386	3,556,186	(241,800)
Vocational programs	405,318	405,318	661,410	(256,092)
Other instructional	830,398	830,398	1,116,377	(285,979)
Special program	179,869	179,869	-	179,869
Adult education	7,830	7,830	33,160	(25,330)
Support services:				
Student services	1,087,444	1,087,444	1,097,312	(9,868)
Instructional staff support	463,802	463,802	639,026	(175,224)
General administration	744,863	744,863	463,680	281,183
School administration	1,443,083	1,443,083	1,392,336	50,747
Business services	422,263	422,263	684,995	(262,732)
Plant services	1,306,514	1,306,564	2,515,912	(1,209,348)
Student transportation services	873,676	873,676	1,010,325	(136,649)
Central services	67,726	67,726	81,644	(13,918)
Construction and land improvement	1,775,108	1,775,108	89,423	1,685,685
Total expenditures	<u>21,452,017</u>	<u>21,454,551</u>	<u>21,936,211</u>	<u>(481,660)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(572,520)</u>	<u>(572,520)</u>	<u>(439,870)</u>	<u>132,650</u>

(Continued)

**CITY OF BOGALUSA SCHOOL BOARD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	76,696	76,696
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	76,696	76,696
NET CHANGE IN FUND BALANCES	(572,520)	(572,520)	(363,174)	209,346
FUND BALANCE - Beginning	572,520	572,520	308,970	(263,550)
Prior Period Adjustment	-	-	118,344	118,344
FUND BALANCE - Beginning - Restated	572,520	572,520	427,314	572,520
FUND BALANCE - Ending	\$ -	\$ -	\$ 64,140	\$ 64,140

CITY OF BOGALUSA SCHOOL BOARD
FOOD SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Food Services	\$ 145,000	\$ 145,000	\$ 120,505	\$ (24,495)
Interest on cash and investments	1,000	1,000	-	(1,000)
Other local sources	-	-	247	247
State equalization	225,989	225,989	38,653	(187,336)
Grants	1,228,011	1,228,011	1,241,366	13,355
Total revenues	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,400,771</u>	<u>(199,229)</u>
EXPENDITURES				
Food services	<u>2,168,575</u>	<u>2,168,575</u>	<u>1,568,819</u>	<u>599,756</u>
Total expenditures	<u>2,168,575</u>	<u>2,168,575</u>	<u>1,568,819</u>	<u>599,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(568,575)</u>	<u>(568,575)</u>	<u>(168,048)</u>	<u>400,527</u>
FUND BALANCE - Beginning				
	<u>568,575</u>	<u>568,575</u>	<u>695,179</u>	<u>126,604</u>
FUND BALANCE - Ending				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 527,131</u>	<u>\$ 527,131</u>

**CITY OF BOGALUSA SCHOOL BOARD
 LEeway MAINTENANCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Ad valorem taxes	\$ 412,608	\$ 412,608	\$ 514,088	\$ 101,480
State sources:				
Revenue sharing	24,269	24,269	23,743	(526)
Total revenues	<u>436,877</u>	<u>436,877</u>	<u>537,831</u>	<u>100,954</u>
EXPENDITURES				
Current:				
Support services:				
Plant	436,949	436,949	549,160	(112,211)
Total expenditures	<u>436,949</u>	<u>436,949</u>	<u>549,160</u>	<u>(112,211)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(72)</u>	<u>(72)</u>	<u>(11,329)</u>	<u>(11,257)</u>
FUND BALANCE - Beginning	<u>72</u>	<u>72</u>	<u>12,206</u>	<u>12,134</u>
FUND BALANCE - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877</u>	<u>\$ 877</u>

SUPPLEMENTAL INFORMATION SCHEDULES

**CITY OF BOGALUSA SCHOOL BOARD
NONMAJOR FUNDS DESCRIPTIONS**

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Title I of the Education Consolidation and Improvement Act (ECIA) - A program designed to meet the educational needs of students at risk of failure in school and of dropping out.

Title II of the Education for Economic Security Act (EESA) - Authorizes federal funding to improve the quality of instruction and to improve in-service training of teachers and other appropriate school personnel in the field of mathematics and science.

Title III – A program by which federal funding is used for the development and implementation of comprehensive reform plans to improve the teachings and learnings of all children and to support the development and implementation of systematic technology plans.

Title V - A program by which federal funding is used for the reform of elementary and secondary education.

Summer Food Program – The Summer Food Program is a program that provides nourishing meals to students in summer school sessions.

REAP - A program designed to improve the quality of teaching and learning in rural school districts.

Temporary Assistance for Needy Families (TANF) - A program by which federal funding is used to improve the learning environment for children from low-income households.

Home Instruction Program for Preschool Youngsters (HIPPY) - HIPPY is a two-year program in which parents participate with their 3 or 4 year old child in pre-school activities at home to stress the importance of a parent's role in a child's transition from preschool to kindergarten.

Idea B Special Education Fund – Individuals with Disabilities Education Act (IDEA), Public Laws (PL) 101-476, is a federally financed program of free public education in the least restrictive environment for children with exceptionalities.

Preschool Special Education Fund - Federal programs for children at the preschool level which provide a free, appropriate, publicly supported education to every exceptional child in a least restricted environment

Extended School Year Program Special Education Fund - Federal programs which provide a free, appropriate, publicly supported education to every exceptional child in a least restricted environment during the summer. .

**CITY OF BOGALUSA SCHOOL BOARD
NONMAJOR FUNDS DESCRIPTIONS (CONTINUED)**

CAPITAL PROJECT FUND

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Roofing Grant Project – This fund is used to account for a federal grant received to replace the roofs on the High School and Junior High School.

**CITY OF BOGALUSA SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2004

	Special Revenue										Capital Project																	
	Title I		Title II		Title III		Title V		Summer Food			REAP		Temporary Assistance To Need To Families		Home Instruction for Preschool Youngster (HIPPY)		Idea B Special Education		Preschool Special Education		Extended School Year Program Special Education		Roofing Grant		Total Nonmajor Governmental Funds		
ASSETS																												
Cash and cash equivalents	\$ 50,014	\$ 1,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,829	\$ -	\$ 10,310	\$ 167,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,152	
Due from other funds	-	-	-	-	-	-	-	7,215	-	-	27,366	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,955	
Receivables	190,804	86,443	-	-	2,146	-	11,550	-	-	6,250	112,233	17,744	-	-	-	-	-	-	-	-	-	-	-	-	-	-	436,792	
TOTAL ASSETS	\$ 240,818	\$ 87,850	\$ -	\$ -	\$ 2,146	\$ -	\$ 20,594	\$ -	\$ -	\$ 16,560	\$ 307,191	\$ 17,744	\$ -	\$ -	\$ 9,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,899	
LIABILITIES AND FUND BALANCES																												
Liabilities:																												
Accounts, salaries, and other payables	\$ 20,825	\$ 2,767	\$ -	\$ -	\$ 2,144	\$ 10,374	\$ 11,938	\$ -	\$ -	\$ 1,325	\$ 6,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,651	
Due to other funds	219,993	85,083	-	-	2	-	8,656	-	-	15,235	300,913	17,744	-	-	9,622	-	-	-	-	-	-	-	-	-	-	-	657,248	
Total Liabilities	240,818	87,850	-	-	2,146	10,374	20,594	-	-	16,560	307,191	17,744	-	-	9,622	-	-	-	-	-	-	-	-	-	-	-	712,899	
Fund balances:																												
Unreserved:																												
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Fund Balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES AND FUND BALANCES	\$ 240,818	\$ 87,850	\$ -	\$ -	\$ 2,146	\$ 10,374	\$ 20,594	\$ -	\$ -	\$ 16,560	\$ 307,191	\$ 17,744	\$ -	\$ -	\$ 9,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,899	

**CITY OF BOGALUSA SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2004**

	Special Revenue										Capital Project			
	Title I	Title II	Title III	Title V	Summer Food	REAP	Temporary Assistance To Needy Families	Home Instruction for Preschool Youngsters (HIPPY)	Idea B Special Education	Preschool Special Education		Extended School Year Program Special Education	Roofing Grant	Total Nonmajor Governmental Funds
REVENUES														
Local sources:														
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411
State sources:														
Other	-	-	-	-	-	-	-	89,241	-	-	-	-	-	106,511
Total State Sources	-	-	-	-	-	-	-	89,241	-	-	-	-	-	106,511
Federal Sources	1,132,285	313,757	889	20,600	124,431	97,661	2,026	463	574,672	26,654	-	1,570,360	3,863,798	
Total Revenues	1,132,285	313,757	889	20,600	124,842	97,661	2,026	89,704	574,672	26,654	17,270	1,570,360	3,970,720	
EXPENDITURES														
Current:														
Instruction:														
Special programs	589,526	182,807	866	18,882	-	66,378	119	35,614	468,466	26,035	10,802	-	1,399,495	
Support services:														
Instructional staff support	321,003	119,880	-	-	-	30,363	-	52,557	77,039	-	-	-	600,842	
General administration	69,725	1,500	-	1,151	-	920	1,907	276	266	-	-	-	75,745	
Plant services	14,047	256	-	-	-	-	-	362	-	-	-	-	14,665	
Student transportation services	-	-	-	-	-	-	-	50	11,036	-	6,468	-	17,554	
Food services	-	-	-	-	170,508	-	-	-	-	-	-	-	170,508	
Community service programs	105,783	-	-	-	-	-	-	845	-	-	-	-	106,628	
Construction and land improvement	-	-	-	-	-	-	-	-	-	-	-	1,570,360	1,570,360	
Total Expenditures	1,100,084	304,443	866	20,033	170,508	97,661	2,026	89,704	556,807	26,035	17,270	1,570,360	3,955,797	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,201	9,314	23	567	(45,666)	-	-	-	17,865	619	-	-	14,923	
OTHER FINANCING USES														
Transfers out - General Fund	(32,201)	(9,314)	(23)	(567)	-	-	-	-	(33,972)	(619)	-	-	(76,696)	
Total Other Financing Sources	(32,201)	(9,314)	(23)	(567)	-	-	-	-	(33,972)	(619)	-	-	(76,696)	
NET CHANGE IN FUND BALANCES	-	-	-	-	(45,666)	-	-	-	(16,107)	-	-	-	(61,773)	
FUND BALANCES - BEGINNING	-	-	-	-	45,666	-	-	-	16,107	-	-	-	61,773	
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

**CITY OF BOGALUSA SCHOOL BOARD
TITLE I
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 1,536,945	\$ 1,132,285	\$ (404,660)
Total revenues	<u>1,536,945</u>	<u>1,132,285</u>	<u>(404,660)</u>
EXPENDITURES			
Current:			
Instruction:			
Special program	716,747	589,526	127,221
Support services:			
Instructional staff support	573,946	321,003	252,943
General administration	68,218	69,725	(1,507)
Plant services	60,873	14,047	46,826
Community service operations	117,161	105,783	11,378
Total expenditures	<u>1,536,945</u>	<u>1,100,084</u>	<u>436,861</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	32,201	32,201
OTHER FINANCING USES			
Transfers out - General Fund	-	(32,201)	(32,201)
Total Other Financing Sources	-	(32,201)	(32,201)
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
TITLE II
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 388,293	\$ 313,757	\$ (74,536)
Total revenues	<u>388,293</u>	<u>313,757</u>	<u>(74,536)</u>
EXPENDITURES			
Current:			
Instructional:			
Special	188,418	182,807	5,611
Support services:			
Instructional staff support	187,691	119,880	67,811
General administration	1,323	1,500	(177)
Plant services	10,861	256	10,605
Total expenditures	<u>388,293</u>	<u>304,443</u>	<u>83,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	9,314	(9,314)
OTHER FINANCING USES			
Transfers out - General Fund	-	(9,314)	(9,314)
Total Other Financing Sources	<u>-</u>	<u>(9,314)</u>	<u>(9,314)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BOGALUSA SCHOOL BOARD
TITLE III
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Federal sources	\$ 1,611	\$ 889	\$ (722)
Total revenues	<u>1,611</u>	<u>889</u>	<u>(722)</u>
EXPENDITURES			
Current:			
Instructional:			
Special	1,570	866	704
Support services:			
Plant services	41	-	41
Total expenditures	<u>1,611</u>	<u>866</u>	<u>745</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	23	23
OTHER FINANCING USES			
Transfers out - General Fund	-	(23)	(23)
Total Other Financing Sources	<u>-</u>	<u>(23)</u>	<u>(23)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
TITLE V
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 25,755	\$ 20,600	\$ (5,155)
Total revenues	<u>25,755</u>	<u>20,600</u>	<u>(5,155)</u>
EXPENDITURES			
Current:			
Instruction:			
Special program	23,800	18,882	4,918
Support services:			
General administration	1,221	1,151	70
Operations & maintenance	734	-	734
Total expenditures	<u>25,755</u>	<u>20,033</u>	<u>5,722</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	567	567
OTHER FINANCING USES			
Transfers out - General Fund	-	(567)	(567)
Total Other Financing Sources	<u>-</u>	<u>(567)</u>	<u>(567)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
SUMMER FOOD
NONMAJOR SPECIAL REVENUES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Local sources - charges for services	\$ -	\$ 411	\$ 411
Federal sources	223,065	124,431	(98,634)
Total revenues	<u>223,065</u>	<u>124,842</u>	<u>(98,223)</u>
EXPENDITURES			
Current:			
Support services:			
Food services	191,688	170,508	21,180
Plant services	31,377	-	31,377
Total expenditures	<u>223,065</u>	<u>170,508</u>	<u>52,557</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(45,666)	(45,666)
FUND BALANCE - BEGINNING	<u>-</u>	<u>45,666</u>	<u>45,666</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
REAP
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 123,442	\$ 97,661	\$ (25,781)
Total revenues	<u>123,442</u>	<u>97,661</u>	<u>(25,781)</u>
EXPENDITURES			
Current:			
Instruction:			
Special program	77,416	66,378	11,038
Support services:			
Instructional staff support	45,105	30,363	14,742
General administration	921	920	1
Total expenditures	<u>123,442</u>	<u>97,661</u>	<u>25,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
TANF
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 2,026	\$ 2,026	\$ -
Total revenues	<u>2,026</u>	<u>2,026</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction:			
Special program	119	119	-
Support services:			
Instructional staff support	1,907	1,907	-
Total expenditures	<u>2,026</u>	<u>2,026</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
HIPPY
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
State sources - other	\$ 89,727	\$ 89,241	\$ (486)
Federal sources	-	463	463
Total revenues	<u>89,727</u>	<u>89,704</u>	<u>(23)</u>
EXPENDITURES			
Current:			
Instruction:			
Special program	35,371	35,614	(243)
Support services:			
Instructional staff support	52,894	52,557	337
General administration	-	276	(276)
School administration	600	-	600
Plant services	362	362	-
Student transportation services	-	50	(50)
Community service operations	500	845	(345)
Total expenditures	<u>89,727</u>	<u>89,704</u>	<u>23</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
 IDEA B SPECIAL EDUCATION
 NONMAJOR SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
 For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 575,440	\$ 574,672	\$ (768)
Total revenues	<u>575,440</u>	<u>574,672</u>	<u>(768)</u>
EXPENDITURES			
Current:			
Instruction:			
Special programs	502,076	468,466	33,610
Support services:			
Instructional staff support	-	77,039	(77,039)
General administration	-	266	(266)
Student transportation services	-	11,036	(11,036)
Plant services	73,364	-	73,364
Total expenditures	<u>575,440</u>	<u>556,807</u>	<u>18,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	17,865	17,865
OTHER FINANCING USES			
Transfers out - General Fund	-	(33,972)	(33,972)
Total Other Financing Sources	<u>-</u>	<u>(33,972)</u>	<u>(33,972)</u>
NET CHANGE IN FUND BALANCES	-	(16,107)	(16,107)
FUND BALANCE - BEGINNING	<u>-</u>	<u>16,107</u>	<u>16,107</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
PRESCHOOL SPECIAL EDUCATION
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 53,921	\$ 26,654	\$ (27,267)
Total revenues	<u>53,921</u>	<u>26,654</u>	<u>(27,267)</u>
EXPENDITURES			
Current:			
Instruction:			
Special programs	48,360	26,035	22,325
Support services:			
Plant services	5,561	-	5,561
Total expenditures	<u>53,921</u>	<u>26,035</u>	<u>27,886</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	619	619
OTHER FINANCING USES			
Transfers out - General Fund	-	(619)	(619)
Total Other Financing Sources	<u>-</u>	<u>(619)</u>	<u>(619)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
EXTENDED SCHOOL YEAR PROGRAM
SPECIAL EDUCATION
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - FINAL BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
State sources-other	\$ 19,826	\$ 17,270	\$ (2,556)
Total revenues	<u>19,826</u>	<u>17,270</u>	<u>(2,556)</u>
EXPENDITURES			
Current:			
Instruction:			
Special programs	10,406	10,802	(396)
Support services:			
Student transportation services	-	6,468	(6,468)
Plant services	<u>9,420</u>	<u>-</u>	<u>9,420</u>
Total expenditures	<u>19,826</u>	<u>17,270</u>	<u>2,556</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BOGALUSA SCHOOL BOARD
NONMAJOR FUNDS DESCRIPTIONS (CONTINUED)**

FIDUCIARY FUNDS-- AGENCY FUNDS

Agency funds are established to account for all monies held by the School System in an agency capacity. Disbursements are made only in accordance with the purpose for which assets are received.

School Activity Funds - The School Activity Agency Fund accounts are used to account for monies generated by the schools and organizations within the schools. While these accounts 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.

**CITY OF BOGALUSA SCHOOL BOARD
SCHOOL ACTIVITY AGENCY FUND
AGENCY FUND**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2004**

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Bogalusa High - Activity	\$32,399	\$252,952	\$245,535	\$39,816
Bogalusa High - General	5,310	92,520	94,960	2,870
Bogalusa High - Athletics	1,351	125,612	123,573	3,390
Bogalusa High-CD	3,600	-	-	3,600
Bogalusa Jr. High	40,970	60,177	68,269	32,878
Byrd Avenue Elementary	13,519	35,241	42,127	6,633
Columbia Street Elementary	12,531	43,282	44,009	11,804
Columbia Street Elementary Beta Club	861	208	273	796
Columbia Street Student Council	-	4,235	3,653	582
Denhamtown Elementary	9,067	30,261	33,954	5,374
Denhamtown Elementary PTO	828	922	1,133	617
Long Avenue Elementary	1,500	3,796	4,586	710
Northside	7,801	39,301	30,299	16,803
Pleasant Hill Elementary	-	71,317	67,207	4,110
Superior Avenue Elementary	7,304	39,900	31,865	15,339
Superior Avenue Savings	5,015	25	-	5,040
Terrace Elementary School Activity	1,616	-	599	1,017
Terrace Elementary	11,609	58,699	62,931	7,377
Total	\$155,281	\$858,448	\$854,973	\$158,756

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
For the Year Ended June 30, 2004**

Michael Applewhite	\$ 9,600
Eleanor Duke	9,600
Paul Kates	9,600
Doneen McCullough	9,600
Reverend Raymond E. Mims	9,600
Ray Reeves	9,600
Howard Stewart	<u>9,600</u>
	<u>\$ 67,200</u>

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

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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

Members of the
City of Bogalusa School Board
Bogalusa, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa 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 and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 04-01 through 04-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 04-03 through 04-07 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the School Board in a separate letter dated January 14, 2005.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 04-8 through 04-13. We also noted certain additional matters that we reported to management of the School Board in a separate letter dated January 14, 2005.

This report is intended solely for the information and use of the Board, the School Board's management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

January 14, 2005

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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

Members of the
City of Bogalusa School Board
Bogalusa, Louisiana

Compliance

We have audited the compliance of the City of Bogalusa 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 of 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.

Internal Control Over Compliance

The management of the School Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing 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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 04-14 and 04-15.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 04-14 and 04-15 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board as of and for the year ended June 30, 2004, and have issued our report thereon dated January 14, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

This report is intended solely for the information and use of the Board, the School Board's management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies

and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Reboue & Company

January 14, 2005

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's number	Revenue	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through Louisiana Department of Agriculture and Forestry:				
Food Distribution (non-cash)	10.550	-	\$ 92,476	(3) 83,792
Passed through Louisiana Department of Education:				
School Breakfast Program	10.553	-	353,888	353,888
National School Lunch Program	10.555	-	795,002	795,002
Summer Food Service Program	10.559	-	124,431	124,431
Total United States Department of Agriculture			<u>1,365,797</u>	<u>1,357,113</u>
<u>U.S. Department of Education</u>				
Passed through Louisiana Department of Education:				
Title I Grants to Local Educational Educational Agencies (03-04)	(1) 84.010A	04-T1 - 66	999,192	999,192
Title I Grants to Local Educational Educational Agencies (02-03 ext)	(1) 84.010A	03-T1-66	132,013	132,013
Title I Grants to Local Educational Educational Agencies (02-03 c/o)	(1) 84.010A	03-T1-66	1,080	1,080
Title II, Part A, Teacher and Principal Training & Recruiting Fund (03-04)	84.367A	04-50-66	236,856	236,856
Title II, Part A, Teacher and Principal Training & Recruiting Fund (02-03 ext)	84.367A	03-50-66	44,427	44,427
Title II, Part A, Teacher and Principal Training & Recruiting Fund (02-03 c/o)	84.367A	03-50-66	32,474	32,474
Title III- English Language Acquisition, Language Enhancement, and Academic Achievement Program for Limited English Proficient Children	84.365A	04-S3-66	889	889
Title IV - Safe and Drug-Free Schools and Communities - State Grants (03-04)	84.186A	04-70-66	23,767	23,767
Title IV - Safe and Drug-Free Schools and Communities - State Grants (02-03 ext)	84.186A	03-70-66	2,655	2,655
Title V Innovative Education Program Strategies (03-04)	84.298A	04-80-66	17,997	17,997
Title V Innovative Education Program Strategies (02-03 ext)	84.298A	03-80-66	1,350	1,350

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's number	Revenue	Expenditures
<u>U.S. Department of Education</u>				
Passed through Louisiana Department of Education:				
Title V Innovative Education Program Strategies (02-03 c/o)	84.298A	03-80-66	1,253	1,253
Rural and Low Income Schools - Rural Education Achievement Program (03-04)	84.358B	04-RE-66	71,282	71,282
Rural and Low Income Schools - Rural Education Achievement Program (02-03 ext)	84.358B	03-RE-66	8,850	8,850
Rural and Low Income Schools - Rural Education Achievement Program (02-03 c/o)	84.358B	03-RE-66	17,529	17,529
Special Education Grants to States - IDEA - Part B	(1)	84.027A	574,672	574,672
Special Education - Preschool Grants	(1)	84.173A	26,654	26,654
Adult Education - State Grant Program and Federal Funds FY03 Carryover	84.002A	280344-66-C	1,442	1,442
Adult Education - Federal Supplemental and State Grant Program	84.002A	0421-66	19,645	19,645
Adult Education - Federal Funds	84.002A	0444-66	18,278	18,278
Vocational Education - Basic Grants to States Carl Perkins Grant	84.048	280402 66	48,249	48,249
Educational Technology State Grants - FIRSTTech	84.318X	0403-66	83,112	83,112
Enhancing Technology for High Stakes Students	84.215K	-	24,791	24,791
Educational Technology State Grants - Enhancing Education Through Technology	84.318X	0449-66	41,551	41,551
Educational Technology State Grants - SCHOOL Tech	84.318X	0446-66	175,335	175,335
Educational Technology State Grants - LINCIS for Technology Grant	84.318X	0346-66	6,505	6,505
HIPPY Americorps State - Louisiana HIPPY Corps	-	0327-66	463	463
Reading First State Grants	(1)	84.357A	402,187	402,187
School Renovation, IDEA, and Technology Program - Emergency Repairs	(1)	84.352A	1,570,360	1,570,360
Total United States Department of Education			4,584,858	4,584,858
Passed through Louisiana Office of Family Support:				
Temporary Assistance for Needy Families - After School For All	93.558	-	81,469	81,469
Temporary Assistance for Needy Families - Child Literacy Grants - Family Math and Science Nights	93.558	03MS - 66	2,026	2,026
Temporary Assistance for Needy Families - Drop Out Prevention Program, Pre-GED Skills Option	93.558	280436-66	27,715	27,715
Temporary Assistance for Needy Families - LA 4	93.558	N/A	309,294	309,294
Temporary Assistance for Needy Families - Strategies to Empower People - STEP Program	93.558	2804EP-66	7,475	7,475
Total United States Department of Education			427,979	427,979

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's number	Revenue	Expenditures
<u>U.S. Department of the Army</u>				
Junior Reserve Officers Training Corps.	-	-	69,015	69,015
Total United States Department of the Army			69,015	69,015
Total Federal Financial Assistance			\$ 6,447,649	\$ 6,438,965

- (1) Represents a major program.
- (2) This amount represents the value of commodities received by the School System during the year ended June 30, 2004.
- (3) This amount represents the value of commodities used by the School System during the year ended June 30, 2004.

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF BOGALUSA SCHOOL BOARD
BOGALUSA, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School System has met the qualifications for the respective grants. Several programs are funded jointly by the State of Louisiana appropriations and federal funds. Cost incurred in programs partially funded by federal grants are applicable against federal grant funds to the extent of revenue available when they properly apply to the grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts are presented in, or used in the preparation of, the basic financial statements.

**CITY OF BOGALUSA SCHOOL BOARD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2004**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Bogalusa School Board (the "School Board").
2. Seven (7) reportable conditions in internal control relating to the audit of the financial statements of the School Board are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. These reportable conditions are identified in Section B of this report as Findings 04-01 through 04-07. Findings 04-03 through 04-07 are considered to be material weaknesses.
3. Six (6) instances of noncompliance material to the basic financial statements of the School Board are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. These compliance findings are identified in Section B of this report as Findings 04-8 through 04-13.
4. Two (2) reportable conditions in internal control relating to the audit of major federal award programs are reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*. These reportable conditions are identified in Section C of this report as Findings 04-14 and 04-15. These two findings are considered to be material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the School Board expresses an unqualified opinion.
6. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. A management letter dated January 14, 2005 was issued for the year ended June 30, 2004.
8. The programs tested as major programs include:

	<u>CFDA No.</u>
Title I	84.010A
IDEA B Special Education	84.027A
Preschool Special Education	84.173A
Reading First	84.357A
School Renovation	84.352A
9. The threshold for distinguishing between type A and type B programs was \$300,000.
10. The School Board was not determined to be a low-risk auditee.

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INTERNAL CONTROLS

Finding 04-1 Bank Reconciliations

Condition:

We observed that management transfers cash from one fund to another by writing checks. Checks for these transfers may be appropriately listed as outstanding checks on the bank reconciliation for the transferring fund, but typically the deposit in transit is not appropriately listed on the bank reconciliation of the receiving fund. Accounting for transfers in this way creates a discrepancy in transfers between funds. Further, we observed several of these interfund transfer checks were listed as outstanding for six months or more on the bank reconciliations of the transferring fund. Writing checks and then holding them results in an incorrect cash balance in the financial and accounting records.

Criteria:

Bank account reconciliations should be prepared correctly and account for disbursements in the proper period.

Effect:

Cash balances were misstated.

Cause:

Management was disbursing and holding checks, the bank reconciliations were not performed correctly, and the interfund transactions were not reconciled timely.

Recommendation

We would recommend that the interfund transfer of money not be performed near the end of the month or when no cash is available to cover the transfer. These transfers should not be outstanding on the bank reconciliations. The interfund transactions should remain in the interfund receivables and payables until funds are available for the transfer.

Management's Response and Correction Action Plan:

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

Finding 04-02 Invoice Approval

Condition:

We observed that the former Superintendent was not reviewing actual checks and supporting documentation. The approval process was for the former Superintendent to review a listing of all checks written out of the General Fund prior to the checks being released. However, we observed several instances where payments were made by the School Board which he had not

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

approved. Further, while performing our audit procedures, we observed numerous expenditures that lacked the supporting documentation such as invoices.

Criteria:

All expenditures of the School Board should be authorized and approved.

Effect:

Unauthorized expenditures were made.

Cause:

Unauthorized expenditures were made as a result of inadequate approval procedures.

Recommendation

The Superintendent should review a listing and the actual checks and supporting documentation prior to the checks being released, but after the Business Manager approves the invoice package denoted by his initials on accounts payable voucher. The superintendent should indicate his approval on the accounts payable voucher. The checks should be promptly mailed by an employee independent of the accounting and bookkeeping functions. After the Superintendent has approved the accounts payable voucher, the invoice package should be returned to the Accounts Payable clerk to be filed alphabetically by vendor. The invoice should be stamped "PAID" before filing.

Management's Response and Correction Action Plan:

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

Finding 04-03 Held Checks

Condition:

We observed that approximately \$660,000 of checks were prepared and then held to be released at a later date. This appears to be a routine practice.

Criteria:

Checks should be released as soon as they are disbursed. Checks should not be disbursed when there are insufficient funds.

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

Effect:

Cash was understated and accounts payable was understated.

Cause:

The disbursed checks were held due to cash flow deficiencies.

Recommendation

The invoices should be promptly entered into the accounts payable system and checks should not be prepared until the disbursement is ready to be made. All supporting documents should have been forwarded to the account payable clerk before the check is prepared such as requisition, purchase order, invoice, receiving report, etc. Checks should not be prepared if insufficient funds are available to release the check.

Management's Response and Correction Action Plan:

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

Finding 04-04 Financial Reporting

Condition:

Monthly financial statements including budget-to-actual comparisons are not prepared and presented to the School Board. Only one financial statement was prepared by the business office during the year ended June 30, 2004. The School Board cannot make accurate and timely financial decisions unless they are provided with accurate monthly financial statements. It was noted on the one interim financial statement given to the Board that interfund receivables and payables do not balance. During the year, the System records transactions to the general ledger on the basis of cash receipts and disbursements. At the end of the year, the books are converted to modified accrual basis as required by governmental accounting standards.

Criteria:

The School Board should utilize accurate monthly financial statements from which financial management decisions can be made.

Effect:

The School Board is not able to make timely financial management decisions.

Cause:

There is a lack of personnel with financial expertise.

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

Recommendation

We recommend that budget to actual comparison statements be provided to the Board members and the Superintendent on a monthly basis so that appropriate cash management decisions can be made. Interfund receivables and payables must be balanced for the statements to be accurate. A written policy should be adopted that provides the nature, extent, and frequency of financial reporting information that should be provided to management and the governing body. The books should be maintained on the modified accrual basis of accounting for the entire year since it results in financial statements that reflect the complete effects of the School Board's financial transactions for the period. Also, in order to make the financial reports generated by the accounting system as meaningful as possible, the School Board should reconcile the general ledger accounts for accounts receivable and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Other account balances such as fixed assets and accrued expenses payable should also be adjusted to the correct balances on a monthly basis. These reconciliations and adjustments will ensure meaningful and accurate financial statements. The financial statements can then be used to help in the management decision-making process.

Management's Response and Correction Action Plan:

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

Finding 04-05 Fixed Assets

Condition:

Fixed asset inventory is not always safeguarded or tagged. New computers and printers were left in the lobby and break room of the School Board office for several weeks. Both of these areas were unlocked common areas to which the public has access. The School Board does not code purchases of fixed assets to a separate expense account in each fund. Therefore, it is difficult to reconcile additions to the fixed asset subsidiary ledger to the fixed asset purchases recorded in the general ledger. Fixed asset listing for June 30, 2004 was incomplete and inaccurate. Fixed asset listing should be reconciled as to additions and deletions on a monthly basis. Additions of approximately \$1,000,000 were not recorded on the fixed asset listing.

Criteria:

The fixed asset listing should be updated timely.

Effect:

The fixed asset listing was understated and fixed assets were not monitored and secure.

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

Cause:

Inadequate maintenance of the fixed asset inventory listing.

Recommendation

We recommend that the System perform periodic physical counts of property and equipment and compare the results to the detailed fix asset subsidiary ledger. Accounts should be created in each fund for "Capital Outlay - Tracking Purposes" and "Capital Outlay - Capitalized". Sales proceeds from the sale of fixed asset should be reconciled to the fixed asset subsidiary ledger as well. Schedules of sales transactions reflecting sales price, cost, and gain (loss) should be maintained for use in preparing the government-wide financial statements. We recommend that a form be developed that will be completed when assets are disposed of or sold.

Management's Response and Correction Action Plan:

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

Finding 04-06 Payroll Fund

Condition:

The System is accounting for payroll expenditures through a payroll fund and a payroll bank account. The payroll fund is supposed to close out to the General Fund at the end of the fiscal year. The payroll fund should report employee withholdings payable and salaries payable at the end of each month. The payroll fund withholding balances at June 30, 2004 were overstated by approximately \$200,000 and an audit adjustment was required in both the payroll fund and the general fund to correct the withholdings.

Criteria:

The payroll fund should reflect accurate balances in the withholding accounts.

Effect:

The payroll withholding accounts were overstated in the payroll fund by approximately \$200,000.

Cause:

The payroll accounts were not reconciled timely.

Recommendation

We recommend that the payroll fund be reconciled monthly.

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

Management's Response and Correction Action Plan:

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

Finding 04-07 Purchasing

Condition:

We found 23 invoices totaling \$129,000 for services performed during the year ended June 30, 2004 for which requisitions had been issued and approved; however, the purchasing department had not issued purchase orders for the services. Since purchase orders were not issued the invoices did not reach the accounting office and payables and expenditures were understated for \$129,000. Purchase orders are not being issued for approved requisitions in some cases due to lack of communication between the departments. The Purchasing agent received the requisitions in November 2004.

Criteria:

Purchasing procedures should be centralized and should include budgetary controls to prevent deficit spending. Further, controls should be designed to prevent unauthorized transactions.

Effect:

Expenditures and accounts payable were understated for the year ended June 30, 2004.

Cause:

A miscommunication between the departments occurred.

Recommendation

All requisitions should be routed to purchasing for a purchase order once the requisition is approved. Disputes over purchase order issuance should be handled immediately.

Management's Response and Correction Action Plan:

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

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

COMPLIANCE

Finding 04-8 Purchasing Gifts with Public Funds

Conditions:

The School Board used public funds to purchase flowers and gifts for employees and retirees. Greeting cards were also purchased by the School Board. While we were unable to quantify all of the expenditures for gifts, we observed specific transactions totaling approximately \$2,000.

Criteria:

The Louisiana Constitution Article VII Section 14 (A) states that things of value may not be donated to or for any person, association, or corporation, public or private.

Effect:

The School Board violated the Louisiana Constitution Article VII Section 14 by purchasing gifts with public funds.

Cause:

There was an overall lack of knowledge of State law in the area.

Recommendation:

The School Board should refrain from purchasing gifts with public funds. The School Board has a "Hospitality" bank account which is funded by employee contributions. This account is used to purchase flowers and other gifts for employees. Only this account should be used for these types of expenditures.

Management's Response and Correction Action Plan:

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

Finding 04-9 Bid Law

Conditions:

Bids were not obtained for the purchase of office supplies. Total expenditures for office supplies to one vendor during the year were approximately \$48,000.

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

Criteria:

Louisiana Revised Statute 38:2212 requires that all purchases of any materials or supplies exceeding the sum of twenty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised.

Effect:

The School Board violated Revised Statute 38:2212, by not soliciting bids for materials and supplies.

Cause:

The cumulative expenditures were not estimated for office supplies.

Recommendation:

The School Board should consider the cumulative effect of expenditures that are spread out over a year.

Management's Response and Correction Action Plan:

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

Finding 04-10 Annual Report Filing

Conditions:

The annual report was not filed with the Legislative Auditor's office within six months of the School Board's year end.

Criteria:

Louisiana Revised Statute 33:463 requires that annual financial statements be transmitted to the Legislative Auditor's Office within six months of the close of the fiscal year. The School Board's fiscal year end is June 30, 2004 and the deadline for transmitting the financial report was December 31, 2004.

Effect:

The School Board violated Revised Statute 33:463 by not filing its annual report within six months of the School Board's year-end.

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

Cause:

Inadequate accounting records combined with turnover at the Superintendent level contributed to the delinquent report.

Recommendation:

The School Board should implement our recommendations pertaining to accounting procedures and controls. We believe this will contribute to more timely financial reporting.

Management's Response and Correction Action Plan:

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

Finding 04-11 Adoption of Budget Amendments for Special Revenue Funds

Condition:

The School System did not follow proper procedures relating to amending budgets for the year ended June 30, 2004. Budget amendments were prepared during the year for IDEA B Special Education Special Revenue fund and Preschool Special Education Special Revenue fund. These amendments were approved by the Superintendent and sent to the State grantor agency. These amendments were not presented to the Board for approval. Other budget amendments for Title I, Title II, Title III, Title IV, Title V, REAP, TANF, and Hippy Special Revenue funds were presented to the Board for approval by the Department Supervisor. These amendments were approved by the Board in a public meeting.

Criteria:

Louisiana Revised Statutes 39:1310 and 1311 require that the Superintendent notify the Board in writing when a budget amendment is required. The Superintendent should retain this written notification. The Superintendent or Business Manager should present the budget amendments to the Board in a public meeting for approval.

Effect:

The School System is not in compliance with the Local Government Budget Act for the year ended June 30, 2004.

Cause:

The School System was unaware of these provisions of the Local Government Budget Act.

**CITY OF BOGALUSA SCHOOL BOARD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 For the Year Ended June 30, 2004**

Recommendation:

In the future, the School System should follow proper procedures relating to the adoption of budget amendments as required by State law.

Management's Response and Correction Action Plan:

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

Finding 04-12 Preparation of Budgets for Special Revenue Funds

Condition:

The School System did not amend the budget when total revenues and other sources for the year failed to meet total budgeted revenues and other sources by five percent or more for the following funds:

	<u>Negative Variance</u>	<u>%</u>
Food Service Special Revenue Fund	(\$199,229)	(14.22)
Summer Food Special Revenue Fund	(\$98,223)	(78.68)
Preschool Special Revenue Fund	(\$27,267)	(102.30)
ESYP Special Revenue Fund	(\$2,556)	(14.80)
Title III Special Revenue Fund	(\$722)	(81.21)
Title II Special Revenue Fund	(\$74,536)	(23.76)
Title V Special Revenue Fund	(\$5,155)	(25.02)
REAP Special Revenue Fund	(\$25,781)	(26.40)
Title I Special Revenue Fund	(\$404,660)	(35.74)

The School System did not amend the budget when total actual expenditures and other uses for the year exceeded total budgeted expenditures and other uses by five percent or more for the following funds:

	<u>Negative Variance</u>	<u>%</u>
Leeway Maintenance Special Revenue Fund	(\$112,211)	(20.43)

**CITY OF BOGALUSA SCHOOL BOARD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 For the Year Ended June 30, 2004**

The School System did not amend the budget when actual beginning fund balance did not meet estimated beginning fund balance by five percent or more and fund balance was used to fund current expenditures for the following funds:

	<u>Variance</u>	<u>%</u>
General Fund	(\$263,550)	(85.30)
Leeway Maintenance Special Revenue Fund	\$ 12,134	99.41
Food Service Special Revenue Fund	\$126,604	18.21
Summer Food Special Revenue Fund	\$ 45,666	100.00
IDEA B Special Revenue Fund	\$ 16,107	100.00

Criteria:

Louisiana Revised Statutes 39:1310 and 39:1311 requires that the budget be amended when any of the following occur:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current expenditures.,

Louisiana Revised Statute 39:1311(B) exempts special revenue funds which are expenditure driven from the requirement to adopt amended budgets if projected revenues or expenses deviate more than 5% from the adopted budget; however, such funds are not exempt from the requirement to communicate in writing these deviations to the Board.

Effect:

The School System is in violation of the Local Government Budget Act for the year ended June 30, 2004.

Cause:

The School System does not utilize the budget as a financial tool in its day to day operations; therefore, the budget law requirements for amending the budget were not monitored during the year.

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

Recommendation:

The School System should prepare and adopt procedures for preparing and monitoring the budget on a monthly basis.

Management's Response and Correction Action Plan:

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

Finding 04-13 Loan From School Food Program

Condition:

The School Board borrowed funds from the School Food program and violated the Louisiana Food and Nutrition Programs Policies of Operation Chapter 3 Paragraph 303(7)(a).

Criteria:

The Louisiana Food and Nutrition Programs Policies of Operation Chapter 3 Paragraph 303(7)(a) requires that loans from the School Food program be supported with a loan agreement with a stated interest rate of at least 1% and be repaid within the same fiscal year.

Effect:

The School Board violated the Louisiana Food and Nutrition Programs Policies of Operation Chapter 3 Paragraph 303(7)(a).

Cause:

The System borrowed approximately \$333,000 from the Food Service Fund during the year. The loan document was never drawn up and executed. Further, the Board or the Superintendent did not approve this loan from Food Services. Interest due on this loan was \$3,651 at June 30, 2004.

Recommendation:

The loan should be paid back as soon as possible with interest as the loan is over one year old.

Management's Response and Correction Action Plan:

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

CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004

C. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROLS

Finding 04-14 Federal Programs Accounted For in the General Fund

Condition:

Numerous federal programs are accounted for in the general fund such as Reading First Grant, First Tech, etc. It is difficult to match the federal revenues with the respective program expenditures while commingled with the other general fund transactions. Further, management does not have procedures in place to match the federal revenues with the respective expenditures.

Criteria:

Federal program transactions should be isolated from the other general fund transactions.

Effect:

Summaries of reimbursement requests and other documents had to be compiled to prepare Schedule of Federal Financial Assistance.

Cause:

The federal program transactions are not adequately identified on the general funds general ledger.

Recommendation

We recommend that the federal program transactions be isolated.

Management's Response and Correction Action Plan:

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

Finding 04-15 Cash Management of Federal Funds

Condition:

We observed that the federal reimbursement requests were filed and the funds were electronically wired to General Fund. However, the payment of the expenditures was not made in a timely manner. In some cases, we observed that the payment of certain accounts payable amounts for which reimbursement had already been received was not made for 30 days or more after the reimbursement had been received. An additional problem incurred by these payment

**CITY OF BOGALUSA SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2004**

delays are that vendors who supplies services and supplies that were reimbursed by federal funds have refused to provide credit to the System due to the lack of timely payment of these expenditures.

Criteria:

The Department of Education policy is that requests for federal or state reimbursements may only be made when actual expenditures for which he/she has issued a check for payments. Salaries and fringe benefits are the only exception to this policy. Reimbursements for other than salaries and benefits must be based on actual expenditures not accounts payable

Effect:

Reimbursement requests are prepared from accounts payable instead of actual cash disbursements.

Cause:

Federal fund expenditures are not made timely.

Recommendation

We recommend that the School Board comply with the Department of Education Policy.

Management's Response and Correction Action Plan:

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

**CITY OF BOGALUSA SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004**

SECTION I FINDINGS RELATED TO THE FINANCIAL STATEMENT

Finding 03-01 Related Party Transactions. Resolved. The two employees in question are no longer employees of the School Board.

SECTION II FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None.

SECTION III OBSERVATIONS REPORTED IN THE MANAGEMENT LETTER

Observation 03-01 Expense Classification. Unresolved. See Observation 04-20 in the current year management letter.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2004**

INTERNAL CONTROLS

Finding 04-1 Bank Reconciliations

Recommendation

We would recommend that the interfund transfer of money not be performed near the end of the month or when no cash is available to cover the transfer. These transfers should not be outstanding on the bank reconciliations. The interfund transactions should remain in the interfund receivables and payables until funds are available for the transfer.

Corrective Action:

Management concurs with this finding. Interfund transfers of money will not be performed near the end of the month or when no cash is available to cover the transfer.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-02 Invoice Approval

Recommendation

The Superintendent should review a listing and the actual checks and supporting documentation prior to the checks being released, but after the Business Manager approves the invoice package denoted by his initials on accounts payable voucher. The superintendent should indicate his approval on the accounts payable voucher. The checks should be promptly mailed by an employee independent of the accounting and bookkeeping functions. After the Superintendent has approved the accounts payable voucher, the invoice package should be returned to the Accounts Payable clerk to be filed alphabetically by vendor. The invoice should be stamped "PAID" before filing.

Corrective Action:

Management concurs with this finding. The current Superintendent is reviewing the actual checks and supporting documentation prior to the checks being released, and after the Business Manager approves the invoice package denoted by his initials on accounts payable voucher. Checks will be promptly mailed by an employee independent of the accounting and bookkeeping functions. After the Superintendent has approved the accounts payable voucher, the invoice

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

package will be returned to the Accounts Payable clerk to be filed alphabetically by vendor. The invoice will be stamped "PAID" before filing.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-03 Held Checks

Recommendation

The invoices should be promptly entered into the accounts payable system and checks should not be prepared until the disbursement is ready to be made. All supporting documents should have been forwarded to the account payable clerk before the check is prepared such as requisition, purchase order, invoice, receiving report, etc. Checks should not be prepared if insufficient funds are available to release the check.

Corrective Action:

Management concurs with this finding. We will contact the software programmers to determine necessary changes in procedures or programming to enter invoices into the accounts payable system and prepare checks when disbursements are to be made. All supporting documents will be forwarded to the accounts payable clerk before the check is prepared such as requisition, purchase order, invoice, receiving report, etc. Checks will not be prepared if insufficient funds are available to release the check.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Finding 04-04 Financial Reporting

Recommendation

We recommend that budget to actual comparison statements be provided to the Board members and the Superintendent on a monthly basis so that appropriate cash management decisions can be made. Interfund receivables and payables must be balanced for the statements to be accurate. A written policy should be adopted that provides the nature, extent, and frequency of financial reporting information that should be provided to management and the governing body. The books should be maintained on the modified accrual basis of accounting for the entire year since it results in financial statements that reflect the complete effects of the School Board's financial transactions for the period. Also, in order to make the financial reports generated by the accounting system as meaningful as possible, the School Board should reconcile the general ledger accounts for accounts receivable and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Other account balances such as fixed assets and accrued expenses payable should also be adjusted to the correct balances on a monthly basis. These reconciliations and adjustments will ensure meaningful and accurate financial statements. The financial statements can then be used to help in the management decision-making process.

Corrective Action:

Management concurs with the finding. Budget to actual comparison statements will be provided to the Board members and the Superintendent on a monthly basis so that the appropriate cash management decisions can be made. Interfund receivables and payables will be balanced for the statements to be accurate. A written policy will be adopted that provides the nature, extent, and frequency of financial reporting information that should be provided to management and the governing body. The books will be maintained on the modified accrual basis of accounting for the entire year since it results in financial statements that reflect the complete effects of the School Board's financial transactions for the period. Financial reports generated by the accounting system will be reconciled to the general ledger accounts for accounts receivable and accounts payable for supporting documentation on a monthly basis. Other accounts balances such as fixed assets and accrued expenses payable will be adjusted to the correct balances on a monthly basis.

Implementation Date:

Immediately.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-05 Fixed Assets

Recommendation

We recommend that the System perform periodic physical counts of property and equipment and compare the results to the detailed fixed asset subsidiary ledger. Accounts should be created in each fund for "Capital Outlay - Tracking Purposes" and "Capital Outlay - Capitalized". Sales proceeds from the sale of fixed asset should be reconciled to the fixed asset subsidiary ledger as well. Schedules of sales transactions reflecting sales price, cost, and gain (loss) should be maintained for use in preparing the government-wide financial statements. We recommend that a form be developed that will be completed when assets are disposed of or sold.

Corrective Action:

Management concurs with this finding. The System will perform periodic physical counts of property and equipment and compare the results to the detailed fixed asset subsidiary ledger. Accounts will be created in each fund for "Capital Outlay-Tracking" and "Capital Outlay-Capitalized". Sales proceeds from the sale of fixed assets will be reconciled to the fixed asset subsidiary ledger as well. Schedules of sales transactions reflecting sales price, cost, and gain (loss) will be maintained for use in preparing the government-wide financial statements. The current form will be modified and used when assets are disposed of or sold.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-06 Payroll Fund

Recommendation

We recommend that the payroll fund be reconciled monthly.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Corrective Action:

Management concurs with this finding. The Payroll Fund will be reconciled monthly and the software programmers consulted as necessary to ensure accuracy of records.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-07 Purchasing

Recommendation

All requisitions should be routed to purchasing for a purchase order once the requisition is approved. Disputes over purchase order issuance should be handled immediately.

Corrective Action:

Management concurs with this finding. All requisitions will be routed to purchasing and approved by the current Superintendent before a purchase is issued. Disputes over purchase order issuance will be handled immediately.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

COMPLIANCE

Finding 04-8 Purchasing Gifts with Public Funds

Recommendation:

The School Board should refrain from purchasing gifts with public funds. The School Board has a "Hospitality" bank account which is funded by employee contributions. This account is used to purchase flowers and other gifts for employees. Only this account should be used for these types of expenditures.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Corrective Action:

Management concurs with this finding. The purchase of flowers and gifts will not be made from public funds.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-9 Bid Law

Recommendation:

The School Board should consider the cumulative effect of expenditures for materials and supplies that are spread out over a year and solicit bids as required.

Corrective Action:

Management concurs with this finding. The cumulative expenditures for office supplies will be estimated at the beginning of year and bid out as necessary to be in compliance with the bid law.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-10 Annual Report Filing

Recommendation:

The School Board should implement our recommendations pertaining to accounting procedures and controls. We believe this will contribute to more timely financial reporting.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Corrective Action:

Management concurs with this finding. The recommendations of the audit will be implemented to ensure compliance with policies and laws resulting in timely financial reporting.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-11 Adoption of Budget Amendments for Special Revenue Funds

Recommendation:

In the future, the School System should follow proper procedures relating to the adoption of budget amendments as required by State law.

Corrective Action:

Management concurs with this finding. The School System will prepare and adopt procedures for preparing and monitoring the budgets on a monthly basis.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-12 Preparation of Budgets for Special Revenue Funds

Recommendation:

The School System should prepare and adopt procedures for preparing and monitoring the budget on a monthly basis.

Corrective Action:

Management concurs with this finding. The School System will prepare and adopt procedures for preparing and monitoring the budgets on a monthly basis.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-13 Loan From School Food Program

Recommendation:

The School Food Service loan should be paid back as soon as possible with interest as the loan is over one year old.

Corrective Action:

Management concurs with this finding. Funds will be repaid to School Food Service as soon as possible with interest.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

INTERNAL CONTROLS FOR FEDERAL AWARDS

Finding 04-14 Federal Programs Accounted For in the General Fund

Recommendation

We recommend that the federal program transactions be isolated for identification in the General Fund.

Corrective Action:

Management concurs with this finding. Federal program transactions (revenues and expenditures) will be isolated and identified individually.

Implementation Date:

Immediately.

**CITY OF BOGALUSA SCHOOL BOARD
CORRECTIVE ACTION PLAN (CONTINUED)
For the Year Ended June 30, 2004**

Contact:

David Neely, Business Manager, (985) 735-1392.

Finding 04-15 Cash Management of Federal Funds

Recommendation

We recommend that the School Board comply with the Department of Education Policy for cash management of federal fund expenditures.

Corrective Action:

Management concurs with this finding. The School Board will comply with Department of Education policy. The Business office will submit requests for reimbursements in the future and coordinate the expenditures with program directors.

Implementation Date:

Immediately.

Contact:

David Neely, Business Manager, (985) 735-1392.

STATE REPORTING SECTION

SCHEDULES REQUIRED BY STATE LAW

(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the School Board of
City of Bogalusa School Board

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the City of Bogalusa School Board ("School Board") and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. This agreed-upon procedures engagement was performed in accordance with attestation 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 of supplemental information 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,
 - 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 1, 2003.
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 1, 2003 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 1, 2003 and as reported on the schedule and traced the same sample used in procedure 4 to the individual’s personnel file and determined if the individual’s experience was properly classified on the schedule.

Public 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 1, 2003 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.

No exceptions were found as a result of applying the above procedures.

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

Rebowe & Company

January 14, 2005

**CITY OF BOGALUSA SCHOOL BOARD
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
AND CERTAIN LOCAL REVENUE SOURCES
For the Year Ended June 30, 2004
Schedule 1**

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$	9,360,567	
Other instructional staff activities		1,116,377	
Employee benefits		3,151,275	
Purchased professional and technical services		-	
Instructional materials and supplies		203,643	
Instructional equipment		129,696	
Total teacher and student interaction activities		13,961,558	\$ 13,961,558

Other instructional activities

Pupil support activities		1,097,312	
Less: equipment for pupil support activities		-	
Net pupil support activities		1,097,312	1,097,312

Instructional staff services		639,026	
Less: Equipment for instructional staff services		-	
Net instructional staff services		639,026	639,026

Total general fund instructional expenditures \$ 15,697,896

Total general fund equipment expenditures \$ 129,696

Certain Local Revenue Sources

Local taxation revenue:

Constitutional ad valorem taxes		\$ 344,900	
Renewable ad valorem tax		2,486,917	
Debt service ad valorem tax			
Up to 1% of collections by the Sheriff on taxes other than school taxes			
Sales and use taxes		2,054,345	
Total local taxation revenue		\$ 4,886,162	

State revenue in lieu of taxes:

Revenue sharing - constitutional tax		\$ 201,798	
Total state revenue in lieu of taxes		\$ 201,798	

Nonpublic transportation revenue \$ 5,532

CITY OF BOGALUSA SCHOOL BOARD
EDUCATION LEVELS OF PUBLIC SCHOOL STAFF
 As of October 1, 2003
 Schedule 2

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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bachelor's Degree	158	76	22	100	0	0	0	N/A
Master's Degree	30	15	0	0	5	36	N/A	N/A
Master's Degree + 30	18	9	0	0	8	57	N/A	N/A
Specialist in Education	1	0	0	0	1	7	N/A	N/A
Ph. D. or Ed. D.	1	0	0	0	0	0	0	N/A
Total	208	100	22	100	14	100	N/A	N/A

CITY OF BOGALUSA SCHOOL BOARD
NUMBER AND TYPE OF PUBLIC SCHOOLS
For the Year Ended June 30, 2004
Schedule 3

Type	Number
Elementary	7
Middle/Jr. High	2
Secondary	1
Combination	0
Total	10

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

CITY OF BOGALUSA SCHOOL BOARD
EXPERIENCE OF PUBLIC PRINCIPALS AND FULL-TIME CLASSROOM TEACHERS
As of October 1, 2003
Schedule 4

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	1	0	1	1	0	1	0	4
Principals	0	0	0	1	0	2	7	10
Classroom Teachers	19	19	80	29	18	12	53	230
Total	20	19	81	31	18	15	60	244

**CITY OF BOGALUSA SCHOOL BOARD
PUBLIC SCHOOL STAFF DATA
For the Year Ended June 30, 2004
Schedule 5**

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$32,574	\$31,931
Average Classroom Teachers' Salary Excluding Extra Compensation	\$32,299	\$31,653
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	236	222

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.

CITY OF BOGALUSA SCHOOL BOARD
CLASS SIZE CHARACTERISTICS, 2002-2003
 As of October 1, 2003
 Schedule 6

School Type	Class Size Range											
	1 - 20			21 - 26			27 - 33			34+		
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	49	22	51	23	0	0	0	0	0	0	0	0
Elementary Activity Classes	50	5	50	5	0	0	0	0	0	0	0	0
Middle/Jr. High	28	11	72	28	0	0	0	0	0	0	0	0
Middle/Jr. High Activity Classes	50	5	50	5	0	0	0	0	0	0	0	0
High	46	120	23	59	0	81	0	0	0	0	0	0
High Activity Classes	65	15	27	6	0	1	0	1	0	0	1	0
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 BOGALUSA SCHOOL BOARD
LOUISIANA EDUCATIONAL ASSESSMENT PROGRAM (LEAP)
FOR THE 21ST CENTURY
Schedule 7

District Achievement Level Results	English Language Arts						Mathematics							
	2004		2003		2002		2004		2003		2002			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
Grade 4														
Advanced	6	0.4	7	2.9	0	0.0	24	1.6	4	1.7	4	1.7	4	1.6
Mastery	72	4.9	28	11.8	32	12.6	102	7.0	20	8.5	28	8.5	28	11.1
Basic	613	41.8	81	34.0	100	39.5	601	41.0	89	37.7	103	37.7	103	40.7
Approaching Basic	488	33.3	80	33.6	71	28.1	446	30.4	59	25.0	63	25.0	63	24.9
Unsatisfactory	288	19.6	42	17.7	50	19.8	294	20.0	64	27.1	55	21.7	55	21.7
Total	1467	100	238	100	238	100	1467	100	236	100	253	100	253	100

District Achievement Level Results	Science						Social Studies							
	2004		2003		2002		2004		2003		2002			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
Grade 8														
Advanced	0	0.0	5	2.1	1	0.4	12	0.8	1	0.4	1	0.4	1	0.4
Mastery	66	4.5	19	8.1	16	6.3	60	4.1	9	3.8	22	8.7	22	8.7
Basic	325	22.3	76	32.2	101	39.9	595	40.9	81	34.3	99	39.1	99	39.1
Approaching Basic	776	53.4	95	40.3	96	37.9	518	35.6	81	34.3	69	27.3	69	27.3
Unsatisfactory	288	19.8	41	17.3	39	15.5	270	18.6	64	27.2	62	24.5	62	24.5
Total	1455	100	236	100	253	100	1455	100	236	100	253	100	253	100

CITY OF BOGALUSA SCHOOL BOARD
THE GRADUATION EXIT EXAM FOR THE 21ST CENTURY
Schedule 8

District Achievement Level Results Students	English Language Arts						Mathematics						
	2004		2003		2002		2004		2003		2002		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 10													
Advanced	3	2.0	0	0.0	1	0.5	6	4.0	3	1.8	2	1	1
Proficient	14	10.0	10	6.1	14	6.6	11	8.0	16	9.6	12	6	6
Basic	59	40.0	69	42.0	87	41.0	45	31.0	77	46.4	66	31	31
Approaching Basic	39	27.0	49	29.9	61	28.8	36	25.0	31	18.7	37	18	18
Unsatisfactory	31	21.0	36	22.0	49	23.1	47	32.0	39	23.5	95	44	44
Total	146	100	164	100	212	100	145	100	166	100	212	100	100

District Achievement Level Results Students	Science						Social Studies						
	2004		2003		2002		2004		2003		2002		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 11													
Advanced	0	0.0	0	0.0	0	0	0	0.0	0	0	0	0	0
Proficient	8	5.0	11	5.7	9	5	6	4.0	17	8.8	8	4	4
Basic	66	39.9	64	33.2	52	27	89	52.0	86	44.6	74	38	38
Approaching Basic	56	33.9	58	30.1	41	21	43	25.0	51	26.4	34	17	17
Unsatisfactory	41	23	60	31.0	94	47	32	19.0	39	20.2	80	41	41
Total	171	100	193	100	196	100	170	100	193	100	196	100	100

**CITY OF BOGALUSA SCHOOL BOARD
THE IOWA TESTS
Schedule 9**

	Composite		
	2004	2003	2002
Test of Basic Skills (ITBS)			
Grade 3	49	46	45
Grade 5	50	46	46
Grade 6	42	48	46
Grade 7	38	48	49
Tests of Educational Development (ITED)			
Grade 9	41	42	44

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.

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**CITY OF BOGALUSA SCHOOL BOARD
BOGALUSA, LOUISIANA**

MEMORANDUM OF ADVISORY COMMENTS

For the Year Ending June 30, 2004

Contact: David Neely
Business Manager
(985) 735-1392

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REBOWE & COMPANY

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3501 N. Causeway Blvd. • Suite 810 • P.O. Box 6952 • Metairie, LA 70009
Phone (504) 837-9116 • Fax (504) 837-0123 • E-mail rebowe@rebowe.com

January 14, 2005

Members of the
City of Bogalusa School Board
Bogalusa, Louisiana

We have audited the basic financial statements of the City of Bogalusa School Board (the "School Board") for the year ended June 30, 2004 and have issued our report thereon dated January 14, 2005. As part of our audit, we considered the School Board's internal control over financial reporting in order to determine the nature, timing and extent of our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our observations and recommendations regarding these matters. We previously reported on the School Board's internal control in a separately issued report entitled *Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated January 14, 2005. This letter does not affect our report dated January 14, 2005 on the financial statements of the School Board.

We will review the status of these matters during our next audit engagement. We have discussed our recommendations with management of the School Board and have included their Corrective Action Plan. We will be pleased to discuss these recommendations with you in further detail at your convenience, perform any additional analysis of these matters, or assist you in implementing our recommendations.

Sincerely,

Rebowe & Company

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN
June 30, 2004**

OBSERVATION 04-1: CASH MANAGEMENT - EXCESS BALANCES

We observed that some of the funds of the School Board such as Leeway Maintenance had large cash balances at times during the year. These funds were maintained in non-interest bearing accounts.

RECOMMENDATION

We recommend that procedures be implemented to monitor available cash and expected cash needs. Once these monitoring procedures are in place, dormant funds could be deposited in interest bearing accounts or used to purchase short-term government securities or certificates of deposits.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Procedures will be implemented to monitor available cash and expected cash needs. Dormant funds will be deposited in interest bearing accounts or used to purchase short-term government securities or certificates of deposits.

OBSERVATION 04-2: CASH MANAGEMENT - NEGATIVE BALANCES

The School Board's cash management and control activities are weak, as evidenced by the number of cash accounts with negative book balances and the lack of information about the School Board's cash position and cash needs at any point in time. Because of the chronic cash shortage and the lack of adequate cash controls, unnecessary charges for penalties and interest have been incurred and short-term borrowings have been required.

RECOMMENDATION

We recommend the following to improve cash management:

1. Prepare cash position reports and budgeted cash flow statements to anticipate both cash needs and cash availability and to provide information for planning the timing of discretionary expenditures and the need for temporary borrowings.
2. Schedule the writing of checks for routine payments for a given day of the week or month so that plans can be made to have cash available to cover the checks and to make it easier for management to review disbursements.
3. Contact vendors as needed to arrange for payment of the School Board's past due invoices. Vendors should be contacted immediately when invoices are not able to be

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

4. paid on time. It was noted during the year that numerous vendors discontinued service or withheld services for lack of payment.
5. Monitor on a monthly basis the securities pledged to ensure that School Board deposits were fully secured and that their investments comply with state law.
6. The School Board has 31 bank accounts, some of which have been dormant for over a year. Many of the accounts were established for narrow purposes and have few transactions and small balances. Dormant accounts are susceptible to unauthorized transactions not being detected and corrected timely. Further, maintaining unnecessary bank accounts results in more complex and inefficient administration. We recommend that Management periodically review the function of all bank accounts to determine whether they are necessary. Time needed to record accounting transactions, as well as time and fees incurred in auditing and accounting services, could be reduced if the System eliminated or combined bank accounts when possible.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The School District will prepare statements to anticipate cash availability and needs to include temporary borrowing to pay vendors more timely. Vendors will be contacted as needed to arrange payment schedules. The district will monitor pledged securities to ensure deposits are properly secured. The number of bank accounts will be reduced to the minimum and placed in interest bearing accounts.

OBSERVATION 04-3: BLANK CHECKS

We observed that blank checks were being maintained in the payroll office. The payroll department office was locked when the payroll clerk was out of the building. The Superintendent, the business manager, and the payroll clerk had the only keys. However, at times during the day, her office is unlocked and unattended.

RECOMMENDATION

We recommend that blank checks be kept in a locked drawer or cabinet accessible only to those with proper authorization and the checks periodically be accounted for.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

Action Planned - Blank checks will be kept in a locked drawer or cabinet.

OBSERVATION 04-4: CHECK SIGNING MACHINE

The School Board uses a check signing machine on all checks. Checks requiring manual signatures are subject to more careful scrutiny and thereby cash is controlled more closely.

RECOMMENDATION

We recommend that a maximum amount be determined for those checks to be signed by use of the check signing machine, and all checks with amounts greater than this designated figure should be manually signed. These manual checks should have dual signatures just as the checks signed by the machine.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The check signing machine will be used only for payroll checks. All other checks will have an original signature.

OBSERVATION 04-5: ACCESS TO CHECK SIGNING MACHINE

We observed that the key to the check signing machine is maintained in an unlocked drawer in the business manager's office. The business manager does lock the door to his office after hours. However, at times during the day, his office is unlocked and unattended. We also noted that the persons authorized to sign checks with the machine (business manager, accounts payable clerk, and payroll clerk) do not take the machine readings before and after each use.

RECOMMENDATION

We recommend that dual control over the check signing machine be implemented. Perhaps the key to the machine could be locked in a drawer or cabinet under the control of someone other than the Business Manager and the machine could be locked in a separate cabinet under the control of the Business Manager. Two people should be present when checks are signed to ensure that the number of checks signed (meter reading) are agreed and reconciled to the number of checks listed on the accounts payable check register. The reconciliation should be signed and dated by both individuals and given to the business manager for review. The business manager should ensure that all payments are appropriate, supporting documentation is available, invoices are approved, and the number of checks written agrees to those signed by the check-signing machine.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The key to the check signing machine will be kept by the business manager who will not have a code (also needed to activate). Two people will be present when payroll checks are processed and a log maintained of the number of checks written.

OBSERVATION 04-6: DISBURSEMENTS

While performing our audit procedures, we observed numerous disbursements that were coded to the wrong general ledger account. This was a comment in the prior year management letter.

RECOMMENDATION

We recommend that the School Board reemphasize the need to record transactions accurately.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The district will properly code disbursements to correct accounts. Purchase orders will be issued only for the purchase of services or materials where required.

OBSERVATION 04-7: BANK RECONCILIATIONS

We observed that bank statements in some accounts were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Reconciliations are not performed on the inactive bank accounts or the bank accounts with no reconciling items.

RECOMMENDATION

We recommend that reconciliations be prepared on all bank accounts whether there is activity or reconciling items. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the business manager. The review should include test of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The reconciliations should be signed and dated by the preparer as well as the reviewer.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Reconciliations will be prepared on all bank accounts whether there is activity or reconciling items. Reconciliations will be reviewed for accuracy and completeness on a timely basis by the business manager. The review will include test of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The reconciliations will be signed and dated by the preparer as well as the reviewer.

OBSERVATION 04-8: FEDERAL GRANTS

A federal grant received to replace the roofs at several schools was deposited and accounted for in the General Fund.

RECOMMENDATION

A grant for capital expenditures should be reported in a capital project fund.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Grants for capital expenditures will be reported in a capital project fund.

OBSERVATION 04-9: INSURANCE RENEWALS

The System did not obtain quotes or bids on the cost of insurance for its various insurance policies. There have been substantial increases in the premiums of all insurance policies.

RECOMMENDATION

We recommend that the business manager or purchasing agent obtain quotes annually to keep insurance premiums as low as possible.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

Action Planned - Quotes for insurance coverage will be scheduled before the expiration of current policies and in time for sufficient review and approval.

OBSERVATION 04-10: TRAVEL

The System has no written policy relating to travel by employees or board members. There was no documentation of approval or justification for the lodging travel expenses of a board member and the business manager to attend a two-day seminar held in Baton Rouge. It was also noted on several travel reimbursements that they did not include all appropriate documentation supporting the business nature of the travel.

RECOMMENDATION

The travel policy should be adequate to meet the needs of the System. It should provide specific guidance as to what is allowable relating to business, conference, and seminar travel. Travel should be reasonable and done only when necessary and when such travel benefits the entity. The travel policy should particularly address travel of the Superintendent and the Board members. As part of its travel policy, the System should require documentation to substantiate the cost and benefit to the System and the necessity for any early travel to seminars or workshops. All documentation should be reviewed and approved by the Superintendent before the travel is allowed. In the case of the Superintendent, the travel should be approved by the Board president.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The travel policy will be included in the review and planned adoption of all school district policies currently in progress.

OBSERVATION 04-11: CELLULAR PHONES

There is no formal policy that provides guidance for the business use and care of cellular phones. Significant cell phone usage was noted on some cell phones which may indicate personal calls were being made and received. Also, it was noted that a supervisor's cell phone was issued to a school bus driver. The cell phone rates for that phone were never changed to the school bus driver rate of \$10.00 per month.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

RECOMMENDATION

The written policy for the business use and care of cellular phones should: establish criteria for issuing cell phones to employees based on employee duties and responsibilities; require that the cellular phone contract be reviewed at least annually to determine the minimum amount of airtime minutes needed per month and negotiate a new contract when the existing contract expires; require employees that are issued cellular phones to review their monthly phone bill and identify personal calls made or received and provide written certification that they identified all personal calls; require that the business manager bill each employee, at a standard rate for each minute, for personal calls; and require that the business manager review the detailed monthly bills for propriety and reasonableness of phone usage and that the policy is being followed. We also recommend that the System determine if cell phone charges can be lowered by applying to E-Rate.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - A cell phone policy will be included in the review and planned adoption of all school district policies currently in progress. Those procedures included in the recommendation will be included in the adopted policy.

OBSERVATION 04-12: CREDIT CARDS

The School Board has no formal written policy relating to the usage of business credit cards. The credit card statement alone is not adequate documentation as it does not provide enough detail to support the propriety of charges. We noted several charges on the credit cards for which there was no detail to support the charge including a recurring monthly charge for internet service.

RECOMMENDATION

The School Board should have a written policy that provides for guidance for the business use and supporting documentation expected to be maintained. Detailed receipts and invoices should be submitted for supporting documentation. Also, any recurring monthly charges should not be charged to credit cards, but should be made through the normal purchasing process. Business purposes for charges should be documented on the receipts.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - A credit card policy will be included in the review and planned adoption of all school district policies currently in progress. Those procedures included in the recommendation will be included in the adopted policy.

OBSERVATION 04-13: ETHICS POLICY

The System does not have a written ethics policy.

RECOMMENDATION

The School Board should adopt an ethics policy and distribute it to all employees. Also, the System should require annual certification letters from board members and employees attesting to their compliance.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - An ethics policy will be included in the review and planned adoption of all school district policies currently in progress. Those procedures included in the recommendation will be included in the adopted policy.

OBSERVATION 04-14: BACKUP AND CONTINGENCY PLAN

The System does not have written back-up contingency and recovery plan in the event of a disaster. File back-up for schools is being performed by the business manager at his home. The computer room at the Central Office is located in an unlocked room.

RECOMMENDATION

A plan should be developed and the recovery process should be tested annually. We recommend that the System have automatic backup set up at each school similar to the daily automatic backup of the Central Office. Also, the School should have written policies and procedures for backup and other computer use. Physical access to the computer room should be limited to only authorized individuals. We recommend that this area be locked so access is limited with keys only issued to business manager and the Superintendent. The System needs to develop policies and procedures relating information systems, including who can update internal files on a server and what are critical data and non-critical data.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The School District will include a written policy and the procedures necessary to have a backup and disaster recovery plan for school data. The policy will include who can update server files and identify critical and non-critical data.

OBSERVATION 04-15: ACCOUNTING FOR CASH AT SPECIAL EVENTS

The football games are the largest recurring revenue generating event for the High School. Revenue is generated through the sale of tickets. General admission and reserved tickets are sold at the football games. Controls over cash appear to be adequate for the general admission sales. However, controls could be strengthened over reserved tickets. The bookkeeper is responsible for selling season tickets which are mostly cash sales. She has control of the reserved seating tickets which are not prenumbered and she reconciles the tickets sold to the deposits. This lack of segregation of duties increases the risk that an unauthorized transaction could occur and not be detected in a timely manner.

RECOMMENDATION

We recommend that access to the reserved tickets be restricted to school employees not associated with the reconciliation process.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Access to the reserved tickets will be restricted to school employees not associated with the reconciliation process. This will be included in the adoption of overall policies currently under review for adoption.

OBSERVATION 04-16: PAYROLL FILINGS

We observed that penalties and interest totaling \$5,067 were paid to the IRS, Department of Labor, and the Department of Revenue during the year. Numerous notices from the agencies were noted including one notice from the State that was a final notice before seizure. There was one instance of an overpayment to the IRS totaling \$26,353, which took several months to receive.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

RECOMMENDATION

Payroll forms filed with the IRS and the State including monthly payroll tax deposits should be reviewed by someone other than the preparer. Payroll forms and tax deposits should be accurate and filed on a timely basis.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Payroll forms filed with the IRS and the State including monthly payroll tax deposits will be reviewed by someone other than the preparer. These documents will be signed and dated by the reviewer. Payroll forms and tax deposits will be accurate and filed on a timely basis.

OBSERVATION 04-17: BANK ACCOUNTS

We observed that there were two bank accounts of which management was not aware and as a result they were not subject to review and were not being included in any financial report.

RECOMMENDATION

We recommend that all bank accounts be monitored and subjected to monitoring and accounting procedures such as reconciliations. Further, bank accounts should be closed when the account becomes inactive.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Bank accounts will be monitored and subjected to monitoring and accounting procedures such as reconciliations. Further, bank accounts will be closed when the account becomes inactive.

OBSERVATION 04-18: E-RATE MATCHING REQUIREMENTS

E-rate pays 80 to 90 percent of the program expenditures directly to the vendor and the School Board is required to match the E-Rate's contributions by paying the remainder of the vendor's charges to the vendor. The School Board is required to pay their portion within 90 days of the

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

receipt of the invoice. The School Board's portion of the E-Rate expenditures totaling \$128,757 for the period November 2003 to May 2004 has not been paid as of January 14, 2005.

RECOMMENDATION

We recommend that the School Board pay the amount owed to the E-rate vendors and remain current with E-rate invoices in the future.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The School Board will pay the amount owed to the E-rate vendors and remain current with E-rate invoices in the future.

OBSERVATION 04-19: PAYROLL

We observed the following issues pertaining to payroll and payroll processing that are areas in which internal controls can be improved or made more efficient:

1. There are no written policies and procedures relating to payroll processing. Written procedures aid in continuity of operation and for cross-training for staff. Written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations.
2. There are no written policies relating to time/attendance records. Employees do not file *time/attendance reports*.
3. Not all employees are required to complete simple time reports to document hours worked.
4. It was noted that absentee forms being submitted to the payroll department which indicate vacation and sick time were not always signed by the employee nor was there indication of supervisor and superintendent approval noted. All employees are not signing the daily attendance log in the Central office.
5. Daily attendance logs at the schools and the central office are not compared and reconciled in a timely manner. We observed numerous instances in which employees had fewer days of leave reported on the absentee forms compared to the daily sign-in logs.
6. There are no procedures for the recording and monitoring of overtime. Employees are responsible for reporting their overtime to the payroll department.
7. We observed that reports filed with the payroll department relating to attendance, vacation, sick, and overtime (time sheets, absentee reports, etc.) are not reconciled by the payroll department before payroll checks are issued.

**CITY OF BOGALUSA SCHOOL BOARD
OBSERVATIONS, RECOMMENDATIONS, AND
CORRECTIVE ACTION PLAN (CONTINUED)
June 30, 2004**

8. Payroll is not subject to final approval before payment by someone independent of payroll preparation and timekeeping.
9. Employees with payroll responsibilities are not required to take vacations
10. The taxable salaries being reported on the Form 941's and State withholding forms were incorrect. Gross salaries were reported as taxable salaries. The amount reported should have been gross salaries less cafeteria plan deductions, retirement deductions, and other tax-exempt deductions. The error in the reporting of wages to the IRS and State totaled \$1,829,587 for the year ended June 30, 2004. Payments to the IRS and the State were correct and employee W-2s were correct.
11. Payroll reports used to prepare the monthly payroll are not reviewed by someone independent of payroll.
12. Copies of Form W-4 are not being forwarded to the Internal Revenue Service when an employee claims more than 10 withholding allowances or exemption from withholding when the employee's wages would normally be more than \$200 per week.
13. Policy relating to attendance for less than one day needs to be evaluated. This policy is not written. The current procedure being utilized is the teacher attendance data reporting policy for the Louisiana Department of Education. The data reporting policy relates to data collection only; however, the System is using this policy to determine how all employees are paid for days they do not work a full day. All employees not just teachers that only work one hour up to four hours are required to take a one-half vacation day. Vacation and sick time is not reduced for actual hours taken off but by half day increments.
14. There is confusion in the payroll department about whether some individuals are employees or independent contractors. Some employees received payments for stipends that should have been treated as employee wages, but these payments were treated as if they were an independent contractors.
15. We noted that one of the two sabbaticals taken during the year was not approved by the School Board. We also noted that the required reports, stating how the sabbatical was being spent, were not being filed properly.
16. Person preparing the payroll is not independent of other payroll duties. The payroll clerk records payroll data in the system prepares and prints checks, uses the check-signing machine to sign the checks, and distributes the checks. Per discussions with the clerk, there is no supervisory review of any of her duties.
17. Gross and net pay amounts as shown on payroll tax forms are not reconciled to total payroll on the payroll register and the general ledger.
18. We observed that the payroll clerk has the ability to conduct file maintenance transactions such as changing pay rate, address, etc. in the payroll system. Further, a computer-generated report is not generated each month that shows all changes made to payroll for the month.
19. Based on documentation provided, we were unable to determine if employees receiving stipends and extra pay performed the services outside of normal business hours.
20. The payroll period for each month cuts off around the 15th of the month. Payroll checks are issued around the 24th of the month. As attendance policies and procedures are

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- weak, this payroll cut-off can result in employees being paid for time they have not earned.
21. As the Systems payroll liability exceeds \$100,000 for a pay period, it is required to make payroll tax deposits either electronically or by phone to the IRS by the next business day. The System has elected to call the deposits in by phone. When using this method the deposit has to be made the same day as the payroll checks are issued as payments made by phone are not posted until the next business day. It has been difficult for the business department to arrive at the correct deposit amount and make the deposit on the same day when using the telephone method of payment.
 22. Based on discussions with payroll, retirement contributions are being paid directly by PIPS and other government agencies. It appears that these revenues and retirement expenses are not being recorded on the general ledger.
 23. Total annual vacation and sick leave for each employee is posted to the vacation and sick leave software in July of each year instead of accruing the time as earned.
 24. Employees are not given a printout of their vacation, sick, and compensatory time accrued on a quarterly basis.
 25. It was noted that there was no documentation of approval for vacation, extended sick leave, and compensatory time of the Superintendent.
 26. It was noted in several instances that there was no documentation for some employee's vacation time.
 27. Amounts paid for retirement contributions are not being reconciled to the amounts going into the general ledger. Retirement contributions that were payable at June 30, 2004 were overpaid in July resulting in an overpayment of around \$50,000.
 28. We observed that the payroll department is not always informed when employees (particularly teachers) are hired or leave employment whether through resignation, termination, retirement, or long-term illnesses.

RECOMMENDATION

We recommend that the following recommendations be implemented pertaining to payroll and payroll processing.

1. Written policies and procedures relating to payroll processing should be drafted and adopted by the Board.
2. Written policies and procedures should be developed relating to time/attendance reporting. The policies should include the maintenance of a daily attendance log, require all employees to sign-in, require principals and supervisors to account for all employees daily and record this information in a report, and require the personnel department to compare daily absentee lists received from principals and supervisors to the absentee reports filed to verify the accuracy of leave hours used and earned. Also, this information should be recorded in the vacation and sick time software on a daily basis.

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3. All employees other than teachers should be required to complete simple time reports to document hours worked. The time reports should be signed by the employee. The employee's supervisor should review and sign with approval.
4. Employees and their supervisors should sign absentee forms.
5. Daily attendance logs at the schools and the central office should be compared and reconciled in a timely manner. We recommend that Management reconcile the absentee forms to the daily sign-in logs.
6. A request form should be developed for the employee to request approval to work overtime which will be treated as compensatory leave. This form should be completed by the employee and signed. The form should be submitted to their supervisor who reviews and approves with signature. This form should be forwarded to the payroll department and attached to the employee's timesheets with the overtime worked.
7. All reports filed with the payroll department relating to attendance, vacation, sick, and overtime (time sheets, absentee reports, etc.) should be reconciled by the payroll department before payroll checks are issued. This will prevent employees being paid for time they did not work.
8. Payroll should be subject to final approval before payment by someone independent of payroll preparation and timekeeping.
9. Employees with payroll responsibilities should be required to take vacations and other employees should be required to perform those functions when the employee is absent.
10. The School Board staff should obtain additional training to learn how to prepare Form 941 and State withholding forms correctly.
11. The payroll reports should be reviewed and signed by the preparer and then reviewed.
12. Copies of Form W-4 should be forwarded to the Internal Revenue Service when an employee claims more than 10 withholding allowances or exemption from withholding when the employee's wages would normally be more than \$200 per week.
13. Vacation and sick-time should be reduced by the actual hours taken off.
14. Procedures over determining whether individuals are employees or independent contractors needs to be strengthened.
15. We recommend that the Board establish procedures to ensure that all sabbaticals are approved by the Board before they are taken. It is also recommended that the required reports are properly filed.
16. We recommend that the incompatible duties of the payroll clerk be segregated. We further recommend that a supervisory review be performed on all of her duties.
17. Gross and net pay amounts as shown on payroll tax forms should be reconciled to total payroll on the payroll register and the general ledger. These reconciliations should include the accruals for salaries at beginning and end of year.
18. A computer-generated report should be generated each month that shows all changes made to payroll for the month. This report should be reviewed by someone independent of payroll. Further, we recommend that the system capabilities be investigated to determine if payroll file maintenance transactions such as changing pay rate, addresses, etc. be restricted to an employee other than the payroll clerk.

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19. Policies for payments of stipends and extra pay need to be reviewed. Procedures should be implemented that increase the accountability and documentation supporting the services received in exchange for the pay.
20. We recommend issuing payroll checks no earlier than the end of the month and strengthening attendance accountability.
21. We recommend that the School Board begin making the payroll tax deposits electronically on the next business day after payroll is issued. The payment is posted immediately and report is generated which indicates the payment was made timely. Also, this method gives the business department more time to calculate the correct amount of payroll tax liability to be remitted.
22. Retirement contributions paid directly to the retirement systems on the School Board's behalf should be recorded on the general ledger even though there is no impact on the fund balance.
23. The software should be updated to accrue the vacation and sick time each month as earned. Therefore, the reports of vacation and sick time at any point in time would give an accurate value of vacation and sick time earned.
24. Employees should be given a printout of their vacation, sick, and compensatory time accrued on a quarterly basis. This printout should be reviewed by the employees and the supervisors. Employees and supervisors should sign and date their approval and return to payroll.
25. Procedures should be established and put in writing for the board approval of vacation, sick, and compensatory time of the Superintendent.
26. All vacation requests should be submitted by written form to the employee's supervisor and the Superintendent for approval before the vacation is taken. The employee, the supervisor, and the Superintendent should sign the form.
27. Amounts paid for the retirement contribution should be reconciled to the general ledger.
28. All schools and departments should notify the payroll department immediately when employees leave employment or are on extended sick leave. We recommend that a written notice be forwarded to the payroll department which documents proper reasons for employee non-attendance and require approval of an appropriate official.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The recommendations included above will be included in the policies currently under review for adoption. Software programmers will be contacted to determine those procedures necessary to obtain the desired results.

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OBSERVATION 04-20: GENERAL BUSINESS OFFICE PROCEDURES

We observed the following issues pertaining to general business office procedures that are areas in which internal controls can be improved or made more efficient:

1. Insurance invoices have been overpaid during the year. The business office does not review insurance invoices and compare to policies. Insurance on school buses was overpaid for the year. Bus drivers pay 75% and the System pays 25%. The System has been paying a larger percentage than the 25%.
2. The general ledger system does not allow for the printing of financial statements after the month is closed. Also, the financial statements generated by the software need to be tailored to the needs of the School Board, so that they are more conducive to financial decisions.
3. The business department coded numerous transactions to a miscellaneous revenue account (Balance was \$207,490). Many of the revenues in this account were state and federal grants.
4. We observed the interfund receivables and payables did not reconcile.
5. We observed that some prior year's audit adjustments were not recorded in the general ledger.
6. Revenues from Medicaid, federal grants, state grants, and other revenues were not reported in the proper period.
7. Indirect cost payments received from other funds were not accounted for properly.
8. We noted numerous fixed asset purchases that were not listed on the fixed asset listing. It appears that the schools and various departments are not forwarding fixed asset purchases to the business department.
9. Regular evaluations of personnel performance are not conducted for key supervisory and accounting staff positions.
10. Employees are not being provided the current employee manual. Some employees are not familiar with System policies and procedures.
11. The organizational structure appears to be inefficient in that duties are not delegated downward in such a way to maximize the results with limited resources.
12. The System does not have written policies and procedures for its administrative or business office functions.
13. Staff in the business department do not appear to be adequately supervised.
14. The accounting software is not being fully utilized by the business department for modules such as the accounts payable and financial statement module.
15. The accounting for grants is not centralized.
16. The School Board maintains an excessive number of funds including inactive funds.
17. A review of interim financial statements after year-end indicates that the Business Office is reporting deficit fund balances in numerous funds (excluding General Fund).
18. The chart accounts has too many accounts including accounts not in use and it is difficult to determine if the account is an asset, liability, fund balance, revenue, or expenditure.

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19. The System codes numerous expenses to an account called "Other Expenses". The account contained expenditures totaling \$355,000 for travel, computer services and equipment, other capital outlay, and other charges which should be coded to other accounts in the general ledger.
20. Journal entries made by accounting personnel are not reviewed by the business manager.
21. The System does not have a record retention policy.

RECOMMENDATION

We recommend that the following recommendations be implemented pertaining to general business office procedures.

1. We recommend that insurance invoices be reviewed and compared to policies.
2. The School Board should investigate the general ledger system capabilities and make appropriate adjustments to the system so financial statements can be printed after the month is closed. Also, the financial statements should be tailored to the needs of the School Board, so that they are more conducive to financial decisions.
3. The business department should limit the use of the miscellaneous revenue account.
4. The business department should discontinue the practice of using numerous interfund receivables and payables with general fund.
5. The audit adjustments should be made promptly at the completion of an audit.
6. Reimbursement type grants and revenues should be reported in the year that the expenses are reported.
7. Indirect cost payments received from other funds should be reported as transfers in general fund and the paying fund.
8. We recommend that the School Board perform a fixed asset inventory and stress the need for timely submission of purchases to the business department.
9. Regular evaluations of personnel performance should be conducted for key supervisory and accounting staff positions.
10. The System needs to update and develop a new employee manual. We recommend that an employee manual be developed, distributed to employees in either hard copy form or electronically and periodically updated as necessary. A comprehensive and up-to-date personnel manual can help communicate, and encourage adherence to, System policies; prevent possible confusion or misunderstandings among personnel; and provide a measure of liability protection to the System in case of employee legal challenges of System actions.
11. We recommend that management review the current alignment of business department staff and their various duties to ensure that the staff time is being used efficiently. We especially recommend this in light of the high amount of overtime the business department staff has been incurring and the number of bookkeeping inaccuracies that were noted. We acknowledge that some realignment of the duties of the business department personnel is in process and that a management-by-objective program is being instituted. This presents a good opportunity to prepare a revised organization chart for

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- the entire Central Office and to clearly define the duties of each position in writing. By describing the job descriptions in writing, Management can get a clear idea of the distribution of responsibilities. As part of this process, Central office personnel should prepare a job description for their positions as well as for positions reporting to them.
12. We recommend that the System develop and maintain a policy and procedures manual. A policy and procedures manual will document how the System operates and will support cross-training and employee turnover when necessary.
 13. All employees of the business department should be adequately supervised and their work should be reviewed by the business manager in a timely manner.
 14. The School Board should investigate the accounting software capabilities to maximize its use. The accounting software should also be used to extract grant program data and to prepare the monthly request for reimbursements sent to the Department of Education.
 15. The business department should place one individual in charge of accounting for the various grant programs. This individual would be responsible for obtaining copies of grant documents, copies of reimbursement requests and other reports filed with the state and federal agencies, monitoring the grant budgets and the timely filing of reports, verifying that reports filed are accurate, and verifying that the grant revenue and expenditures are reported properly in the general ledger. This individual would also inform the department supervisors when grant revenues related to their program were received and provide them access to view the data on the system.
 16. The business department should evaluate the need for the number of funds being maintained by the System (25). Funds that are inactive should be eliminated. Multiple funds for the same grant program should be consolidated into one fund. Material grant programs being accounted for in the general fund should be recorded in a separate fund. Numerous funds to account for result in complexity and inefficient administration. Time needed to record accounting transactions, as well as time and fees incurred in auditing and accounting services, could be reduced if the System eliminated or combined funds when possible.
 17. Financial statements should not be presented with deficit fund balances in funds other than general fund. Transfers from general fund should be recorded to avoid the reporting of deficit fund balances in these funds.
 18. The chart of accounts should be revised. Inactive accounts should be eliminated and account names should clearly indicate if the account is an asset, liability, fund balance, revenue, or expenditure.
 19. The System should discontinue the active use of the other expense account.
 20. The Business Manager should review journal entries on a monthly basis.
 21. The System should develop a record retention policy that is in accordance with State of Louisiana guidelines.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

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Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The recommendations above will be included the overall policy manual currently under review for adoption. The recommendations are sound and will be implemented.

OBSERVATION 04-21: SCHOOL ACCOUNTS

We observed the following issues pertaining to school accounts that are areas in which internal controls can be improved or made more efficient:

1. We noted a capital lease being paid through the High School Account that is not reported in the financial statements nor is the corresponding asset.
2. The High School had a certificate of deposit for which the business office had no documentation nor was it recorded on the financial statements.
3. A school activity account at Columbia Street has never been recorded or monitored. We discovered the account during our cash testing.
4. Activity in the School accounts is not reviewed by the business office. Balance sheets are prepared each month but there is no review of actual transactions.
5. We observed some old interfund receivables and payables included in the school accounts.

RECOMMENDATION

We recommend that the following procedures be implemented pertaining to general office procedures.

1. Invoices for fixed assets and copies of leases should be forwarded to the business office.
2. All bank accounts and investments should be properly documented so the proper accounting can be applied.
3. We recommend that all bank accounts and school activity accounts be accounted for.
4. The Business Office should review all School account activity.
5. Old interfund receivables and payables should be cleared and/or written off.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The recommendations above will be implemented.

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OBSERVATION 04-22: REIMBURSEMENT REQUESTS

Federal Reimbursement Requests are not always accurate. For instance, requests filed that indicate the expenditures are for the period July 1 to July 31 may have June and prior month expenditures on them. Further, requests for reimbursement for Special Education programs are not being filed in a timely manner. Some of the reimbursement requests were filed in October and November of 2004 for June 2004 and prior expenditures.

RECOMMENDATION

Expenditures for the fiscal year should be reported monthly on a request which indicates the proper reimbursement period. Further, someone other than the preparer should also review the requests before they are submitted.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - Expenditures for the fiscal year will be reported monthly on a request which indicates the proper reimbursement period. Someone other than the preparer will also review the requests before they are submitted.

OBSERVATION 04-23: SEGREGATION OF DUTIES

The business manager prepares the deposit slip for ad valorem and sales taxes when received. He also posts these payments, reconciles the account, and makes the deposit. Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

RECOMMENDATION

We recommend that these incompatible duties be segregated. All cash receipts should be opened and controlled by a person independent of the person responsible for the accounting of these transactions. The accounts payable clerk could open the mail, endorse the checks, and prepare the deposit slip and daily list of receipts. The checks and deposit slip would then be forwarded to the business manager for deposit. The daily list of receipts would be forwarded to the accounting clerk who posts the payments. The daily list of receipts should be compared to the receipted deposit slip in accounting.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

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Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The School District will separate these duties between people so that no one person performs all functions.

OBSERVATION 04-24: CONTROLS OVER CASH RECEIPTS AND DISBURSEMENTS

We observed the following weaknesses in the control over cash disbursements and receipts:

1. At present, the System has two authorized check signers, the Superintendent and the Board President. Both of their signatures are required on all checks. In the event of the resignation, termination, or death of one of these individuals, checks would not be able to be issued.
2. Although a check signing facsimile machine is used to sign checks, the System does have manual check stamps for the Superintendent and the Board President. These check stamps are secured in offices that are not always locked during business hours.
3. There is no written policy for the processing, reviewing, and approving of cash disbursements.
4. Accounting personnel perform bank reconciliations and open the bank statements.

RECOMMENDATION

We recommend that the following procedures be implemented pertaining to controls over cash disbursements and receipts:

1. All Board members should be added as authorized check signers in the event of the resignation, termination, or death of the Board President or Superintendent.
2. Check stamps should be secured in separate locked drawers or cabinets.
3. A written policy should be developed for the processing, reviewing, and approving of disbursements. The policy should specifically address disbursements for expenditures of Board members and the Superintendent.
4. We recommend that someone independent of the accounting department open the bank statements and review them for any unusual checks or other transactions before giving them to the accounting department to perform the reconciliations. This independent review of the bank statement will ensure that unusual items are investigated on a timely basis.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

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Action Planned - The recommendations above will be included in the policies that are under review and for adoption by the School Board.

OBSERVATION 04-25: CONTROLS OVER PURCHASING

We observed the following weaknesses in the control over the purchasing system:

1. We noted that requisitions for materials and supplies are prepared by the department heads. We noted numerous requisitions, that the Superintendent did not approve before a purchase order was completed. Also, the Superintendent or the department head did not consult with the business department to determine if funds were available to purchase the materials and supplies.
2. There is no policy in purchasing that indicates if certain purchases would not need a purchase order such a recurring monthly charges and contracts.
3. The System is using a manual purchase order system. Purchase orders are issued if a requisition was issued. There are no controls in place to determine if funds are available for the purchase.
4. Purchase orders are not reviewed and approved by someone independent of the purchasing office to determine compliance with bid law and that competitive quotes where obtained when the dollar threshold is lower than the bid law including verification of bid documentation.
5. We noted several instances were the dollar amount of the requisitions did not match the invoice.

RECOMMENDATION

We recommend that the following procedures be implemented pertaining to controls over the purchasing system:

1. We recommend that the Superintendent approve all requisitions before a purchase order is issued. The requisition should be signed and dated by the department supervisor and the Superintendent.
2. We recommend that the purchasing policy be revised to indicate how purchases should be handled for contracts and other recurring monthly charges where a requisition may not be needed.
3. We recommend that the System purchase an automated purchase order system that will not allow purchase orders to be created and invoices to be paid when an account is over budget.
4. Purchase orders should be reviewed and approved by someone independent of the purchasing office to determine compliance with bid law and that competitive quotes where obtained when the dollar threshold is lower than the bid law including verification of bid documentation. Approval should be indicated on the purchase order.
5. Requisitions should be reviewed for accuracy before approval.

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CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The recommendations above will be included in the policies that are under review and for adoption by the School Board.

OBSERVATION 04-26: BUDGETING PROCEDURES

The School Board does not have policies and procedures for preparing, amending, monitoring, and amending its budget. A written budget policy and detailed written procedures for the budget process are important to the System in complying with the budget laws and providing management with guidelines necessary in managing the System's budget. Also, improvements need to be made to the budget message that accompanies the budget as it does not include all items that are required by State law. Also, it was noted that some department supervisors were not supplied with a copy of their budget nor were they supplied with monthly financial statements for their departments.

RECOMMENDATION

We recommend that the System implement policies and procedures for preparing, adopting, monitoring, and amending its budget. The Superintendent should assign budgetary line items to members of the business office who would be held responsible for seeing that expenditures stay within budget limits. Supervisors for the various departments should be provided with a copy of the budget for their departments if not prepared by that department and all department supervisors should receive monthly financial statements for their departments including a comparison of actual expenditures to the budgeted amounts. Department supervisors should review these financial statements for accuracy and report any discrepancies to the business manager and/or the Superintendent.

CORRECTIVE ACTION PLAN

Implementation Date - Immediately

Person Responsible - David Neely, Business Manager, (985) 735-1392.

Action Planned - The recommendations above will be included in the policies that are under review and for adoption by the School Board.