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FRANKLIN PARISH SCHOOL BOARD

WINNSBORO, LOUISIANA

ANNUAL FINANCIAL REPORT

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 3/9/05



FRANKLIN PARISH SCHOOL BOARD

WINNSBORO, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

FRANKLIN PARISH SCHOOL BOARD

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FRANKLIN PARISH SCHOOL BOARD

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INDEPENDENT AUDITORS' REPORT

The Members of the
Franklin Parish School Board
Winnsboro, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Parish School Board (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.

Except for the matters discussed in the third and fourth paragraphs of this report, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Interfund receivables and payables did not reconcile among the various funds. Furthermore, evidence substantiating the appropriate amounts that should have been recorded as interfund receivables and payables was not maintained. Because of the lack of evidence regarding the appropriate amounts to be recorded as interfund balances and related charges, we were unable to satisfy ourselves about the amounts recorded as interfund receivables and payables of the various funds, and the appropriate classification of any corresponding charges to the statements of revenues, expenditures, and changes in fund balances.

The accompanying financial statements have been prepared assuming that the School Board will continue as a going concern. As discussed in Note 13, the general fund has a negative fund balance of \$1,666,964. Management's plans regarding this matter are also described in Note 13. This condition raises substantial doubt about the School Board's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Management's discussion and analysis and the budgetary comparison information on pages 3 through 9 and pages 33 through 38, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Parish School System's basic financial statements. The accompanying supplementary information consisting of the combining non-major fund financial statements, and the schedule of compensation paid board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004 on our consideration of the Franklin Parish School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 20, 2004



Franklin Parish School Board

Winnsboro, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION
AND ANALYSIS (MD&A)

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

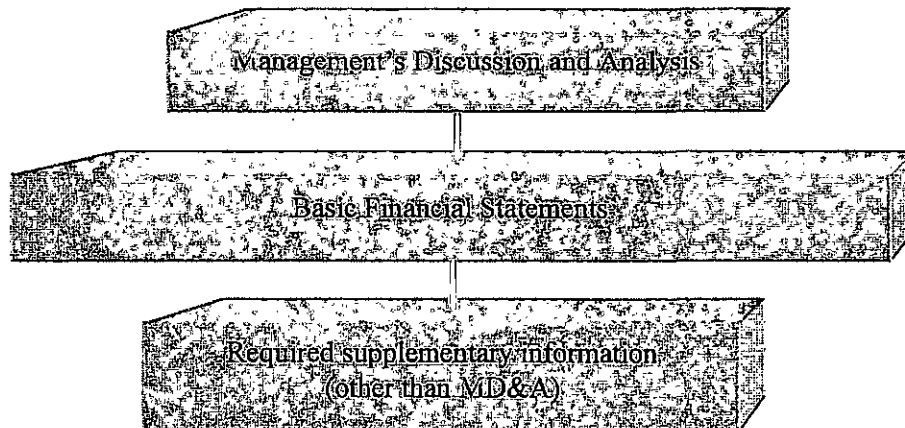
The Management's Discussion and Analysis of the Franklin Parish School Board's financial performance presents a narrative overview and analysis of Franklin Parish School Board's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available).

FINANCIAL HIGHLIGHTS

- ☆ The Franklin Parish School Board's assets exceeded its liabilities at the close of fiscal year 2004 by \$1,028,518.
- ☆ Expenses exceeded revenues by \$83,881 for the 2004 fiscal year.
- ☆ State Minimum Foundation Program funding increased by \$457,941.
- ☆ The General Fund operated at a deficit of \$1,095,456 and ended the fiscal year with an accumulated deficit of \$1,666,964.
- ☆ The School Lunch Fund operated at a deficit of \$357,812 and ended the fiscal year with a fund balance of \$380,783.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

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

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

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

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

Both of the government-wide financial statements present functions of the School Board that are principally supported by taxes and intergovernmental revenues (governmental activities). The School Board has no functions or activities which are business-like in nature, meaning that they are primarily supported by user fees and charges for services, such as a municipally owned utility system. The governmental activities of the School Board include regular and special education programs, support services, administration, maintenance, student transportation, and school food services. The School Board contains no other units of government (component units) nor is it contained as a component unit of any other level of local or state government.

Fund financial statements. A *fund* is grouping of related accounts that are used to maintain control over the resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School Board can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements. Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the School Board's near-term financing decisions. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School Board maintains dozens of individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Title I, Headstart, and School Lunch all of which are considered major funds. The remaining funds are combined into a single, aggregated presentation under the label of other governmental funds, which contains all non-major funds. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

The School Board prepares annual budgets for the General Fund and Special Revenue Funds. Budgets were not prepared for Capital Projects Funds and Debt Service Funds. As such, a budget to actual was not prepared for those funds.

Fiduciary funds. Fiduciary Funds are used to account for resources held for the benefit of outside parties such as students. Fiduciary funds are not reflected in the government-wide financial statements because of the resources of those funds are not available to support the School Board's programs. The sole fiduciary fund of the School board is the School Activity Fund, which contains monies belonging to the schools, their students, and clubs and other activities.

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

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY

Statements of Net Assets
as of June 30, 2004 and 2003

	2004	2003
Assets		
Cash and cash equivalents	\$ 1,044,425	\$ 1,309,328
Receivables	1,251,472	1,517,827
Inventory	22,969	65,795
Capital assets	3,067,207	1,647,543
Total assets	\$ 5,386,073	\$ 4,540,493
Liabilities		
Accounts, salaries and other payables	\$ 3,490,962	\$ 2,650,726
Deferred revenues	86,336	-
Long-term liabilities	780,257	777,368
Total liabilities	\$ 4,357,555	\$ 3,428,094
Net Assets		
Invested in capital assets, net of debt	\$ 3,067,207	\$ 1,647,543
Restricted	408,532	791,798
Unrestricted	(2,447,221)	(1,326,942)
Total net assets	\$ 1,028,518	\$ 1,112,399

- Cash has decreased approximately 25% from prior year. Cash accounts for 19% of the total assets of the School Board. The decrease can be attributed to the operating deficits of the major funds.
- Capital assets, which are reported net of accumulated depreciation, account for 57% of the total assets of the School Board. These assets increased by \$1,419,664 from the prior year in which they comprised 36% of total assets. The increase from prior year is attributable to the renovations made to Winnsboro Elementary School which were funded from the School Renovation Grant received from the U. S. Department of Education.
- Receivables decreased by \$255,335 as a result of acceleration of reimbursements on grant funds from the State.
- Accounts, salaries and other payables increased \$840,236 as a result of the Board's inability to timely pay certain operating costs due to a lack of operating cash funds.
- Unrestricted net assets decreased by \$1,120,274 noting a worsening of the School Board's ability to satisfy its liabilities over the long term. This is primarily a result of operating deficits in the General and School Lunch funds.
- Total net assets have decreased by \$83,881 from prior year.

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Statements of Revenues and Expenses
for the years ended June 30, 2004 and June 30, 2003

	2004	2003
Revenues		
Program revenues		
Charges for services	\$ 314,093	\$ 162,646
Operating grants	6,010,695	7,218,354
Capital grants	1,561,897	-
General revenues		
Property taxes	717,592	698,082
Sales taxes	2,803,729	2,676,376
Earnings on Investments	8,999	13,413
<i>Minimum Foundation Program</i>	15,318,173	14,860,232
Other	421,569	608,913
	\$ 27,156,747	\$ 26,238,016
Expenses		
Regular education	\$ 11,326,311	\$ 10,918,879
Special and other education	5,942,305	7,003,346
Pupil support	570,460	463,007
Instructional staff	795,445	744,046
General administrative	838,642	759,955
School administrative	1,044,217	1,023,902
<i>Business and central services</i>	404,871	365,574
Plant operation and maintenance	1,684,741	2,005,273
Transportation	2,210,074	2,136,723
Food service	2,064,767	2,006,092
Community service programs	31,298	1,500
Depreciation	142,233	-
Unidentified charges	185,264	-
Increase in compensated absences (unallocated)	-	146,331
	\$ 27,240,628	\$ 27,574,628
Excess of expenses over revenues	(83,881)	(1,336,612)

Revenues

- Minimum Foundation Program revenue, which accounts for 56% of total revenues, increased \$457,941 due to an increase in the per student allocation from the State of Louisiana.
- Local tax revenues consisting of sales and property taxes experienced slight to moderate growth and remained approximately 13% of total revenue.
- Operating grant revenues decreased as a result of lower funding levels in Title One and Headstart, while capital grants and contributions increased due to the newly acquired School Renovation Grant which was used to renovate Winnsboro Elementary School.

Expenses

- Expenses overall remained relatively constant despite increases in certain categories including Regular Education and depreciation. However, increases in those areas were offset by decreases in plant operation and maintenance and special education.

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the Franklin Parish School Board had \$3,067,207 invested in a broad range of capital assets, including land, building, construction in progress and equipment. (See Table below).

This amount represents a net increase (including additions and deductions) of \$1,419,664, or 86%, over last year. This increase is a result of capitalized renovation expenditures from the School Renovation Grant. This grant was used to make major renovations to Winnsboro Elementary School.

Capital Assets at Year-end
(Net of Depreciation)

	<u>2004</u>	<u>2003</u>
Land	\$ 54,850	\$ 54,850
Construction-in-progress	1,561,897	-
Buildings	1,243,478	1,352,952
Machinery and equipment	<u>206,982</u>	<u>239,741</u>
Totals	<u>\$ 3,067,207</u>	<u>\$ 1,647,543</u>

Long-term debt

The School Board's long-term debt consists solely of the liability for compensated absences. As the workforce of the School Board did not change substantially from 2003, this liability remained relatively constant.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

No budget amendments were adopted during the year ended June 30, 2004 for the General, Head Start and School Lunch funds. The Title One's budget was amended during the year to reflect an increased level of grant funding awarded from the State Department of Education.

FRANKLIN PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School System operates in an environment of declining enrollment, a decreasing tax base and marginal support from its citizenry. This environment and other factors have contributed to the unfavorable financial condition of the General Fund and to the deteriorating condition of school facilities. Although recent attempts to pass additional taxes have failed, management and the Board will continue efforts to obtain additional revenues and to operate within resources available.

The Franklin Parish School Board's elected and appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Moderate growth in property taxes due to reassessments of property values.
- Slight, if any, sales tax growth.
- Slight increase in MFP.
- Expenditures will decrease as a result of budget cuts in the areas of general and school administration, plant operation and maintenance, and transportation.

The Franklin Parish School Board has adopted 2004-2005 General Fund budget that results in break-even operations for the year. However, if excess funds become available through more favorable operating results, then any such excess will be applied toward elimination of the General Fund deficit.

CONTACTING THE FRANKLIN PARISH SCHOOL BOARD'S MANAGEMENT

This financial report is designed to provide a general overview of the School Board's finances for those with an interest in the government's financial position and operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Lillian Whitten, Business Manager, Franklin Parish School Board, 7293 Prairie Road, Winnsboro, LA 71295, 318-435-9046.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS

	<u>2004</u>
Cash and cash equivalents	\$ 1,044,425
Receivables	
Accounts	105,506
Sales and use taxes	251,961
Ad valorem taxes	5,032
Due from governments	888,973
Inventory	22,969
Capital Assets	
Land and construction in progress	1,616,747
Buildings and equipment, net of accumulated depreciation	1,450,460
TOTAL ASSETS	<u>\$ 5,386,073</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts, salaries and other payables	\$ 3,490,962
Deferred revenues	86,336
Long-term liabilities	
Due within one year	112,770
Due in more than one year	667,487
TOTAL LIABILITIES	<u>\$ 4,357,555</u>

NET ASSETS

Invested in capital assets	\$ 3,067,207
Restricted for:	
Debt service	14,622
Federal and State Grant Programs	347,250
Maintenance	46,660
Unrestricted (deficit)	(2,447,221)
TOTAL NET ASSETS	<u>\$ 1,028,518</u>

The accompanying notes are an integral part of this statement.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses				Governmental Unit	
<u>Functions/Programs</u>					
Instruction:					
Regular education programs	\$ 11,326,311	\$ -	\$ 408,953	\$ 1,561,897	\$ (9,355,461)
Special education programs	2,193,048	-	298,992	-	(1,894,056)
Other education programs	3,749,257	-	2,634,433	-	(1,114,824)
Support Services:					
Pupil support services	570,460	80,973	106,941	-	(382,546)
Instructional staff services	795,445	-	369,534	-	(425,911)
General administration services	838,642	-	93,086	-	(745,556)
School administration services	1,044,217	-	36,926	-	(1,007,291)
Business and central services	404,871	59,483	60,619	-	(284,769)
Plant operation and maintenance	1,684,741	-	486,213	-	(1,198,528)
Transportation	2,210,074	-	139,814	-	(2,070,260)
Food service	2,064,767	173,637	1,375,184	-	(515,946)
Community services	31,298	-	-	-	(31,298)
Depreciation	142,233	-	-	-	(142,233)
Unidentified Charges	185,264	-	-	-	(185,264)
Total Governmental Activities	27,240,628	314,093	6,010,695	1,561,897	(19,353,943)
General Revenues					
Taxes:					
Ad Valorem taxes					717,592
Sales and use taxes					2,803,729
Grants and contributions not restricted to specific purposes:					
Minimum Foundation Program					15,318,173
Interest and investment earnings					8,999
Miscellaneous					421,569
					19,270,062
					(83,881)
					1,112,399
					\$ 1,028,518

The accompanying notes are an integral part of this statement.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

	General	Title I	Headstart	School Lunch	Other Non-major Governmental	Total
ASSETS						
Cash and cash equivalents	\$ 172,441	\$ 188,072	\$ 1,141	\$ 452,377	\$ 230,394	\$ 1,044,425
Receivables:						
Accounts	104,618	-	-	888	-	105,506
Sales tax	251,961	-	-	-	-	251,961
Ad valorem tax	5,032	-	-	-	-	5,032
Due from other funds	807,788	38,796	-	-	100	846,684
Due from other governments	178,107	-	100,924	-	609,942	888,973
Inventory	-	-	-	22,969	-	22,969
TOTAL ASSETS	\$ 1,519,947	\$ 226,868	\$ 102,065	\$ 476,234	\$ 840,436	\$ 3,165,550
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 840,186	\$ 29,686	\$ 35,190	\$ 2,923	\$ 201,052	\$ 1,109,037
Salaries and benefits payable	2,071,353	115,326	64,557	78,324	52,365	2,381,925
Due to other funds	275,372	60,520	2,318	765	507,709	846,684
Deferred revenues	-	30,581	-	13,349	42,406	86,336
TOTAL LIABILITIES	3,186,911	236,113	102,065	95,361	803,532	4,423,982
Fund balances:						
Reserved for inventory	-	-	-	9,620	-	9,620
Reserved for debt service	-	-	-	-	14,622	14,622
Unreserved, reported in:						
General Fund - Undesignated	(1,666,964)	-	-	-	-	(1,666,964)
Special Revenue Fund	-	(9,245)	-	371,253	22,282	384,290
TOTAL FUND BALANCES	(1,666,964)	(9,245)	-	380,873	36,904	(1,258,432)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,519,947	\$ 226,868	\$ 102,065	\$ 476,234	\$ 840,436	\$ 3,165,550

The accompanying notes are an integral part of this statement.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
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		\$ (1,258,432)
Cost of capital assets at June 30, 2004	\$ 9,990,061	
Less: Accumulated Depreciation as of June 30, 2004:		
Buildings	(6,236,735)	
Movable property	(686,119)	3,067,207
Long-term liabilities at June 30, 2004:		
Compensated absences payable	(780,257)	(780,257)
Total net assets at June 30, 2004 - Governmental Activities		<u>\$ 1,028,518</u>

The accompanying notes are an integral part of this statement.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
FOR THE YEAR ENDED JUNE 30, 2004

	General	Title I	Headstart	School Lunch	Other Non-major Governmental	Total
REVENUES						
Local sources:						
Ad valorem taxes	\$ 470,591	\$ -	\$ -	\$ -	\$ 247,001	\$ 717,592
Sales and use taxes	2,803,729	-	-	-	-	2,803,729
Earnings on investments	6,226	-	-	2,773	-	8,999
Food Services	-	-	-	169,389	-	169,389
Other	277,944	-	71	4,248	30,779	313,042
In-Kind Revenue	-	-	253,231	-	-	253,231
State sources:						
Minimum Foundation Program	15,247,601	-	-	70,572	-	15,318,173
Restricted grants-in-aid	730,977	-	-	-	306,290	1,037,267
Federal grants	51,028	1,475,303	819,276	1,375,184	2,814,534	6,535,325
TOTAL REVENUES	19,588,096	1,475,303	1,072,578	1,622,166	3,398,604	27,156,747
EXPENDITURES						
Current:						
Instruction:						
Regular education programs	11,322,074	-	-	-	2,530	11,324,604
Special education programs	1,910,095	-	-	-	282,607	2,192,702
Other education programs	904,537	985,418	604,871	-	1,254,290	3,749,116
Support:						
Pupil support services	473,900	47,373	-	-	49,105	570,378
Instructional staff services	429,689	238,195	76,759	-	50,738	795,381
General administration services	757,238	4,000	74,871	-	2,500	838,609
School administration services	1,044,053	-	-	-	-	1,044,053
Business and central services	348,251	11,017	36,521	-	9,032	404,821
Plant operation and maintenance	1,169,254	107,815	154,771	-	252,810	1,684,650
Transportation	2,131,066	4,913	73,901	-	-	2,209,880
Food services	87,158	-	21,086	1,956,506	-	2,064,750
Community services	1,500	-	29,798	-	-	31,298
Facility acquisition and construction	-	-	-	-	1,561,897	1,561,897
Unidentified Charges	329,598	(39,104)	-	23,472	(128,702)	185,264
TOTAL EXPENDITURES	20,908,413	1,359,627	1,072,578	1,979,978	3,336,807	28,657,403
EXCESS OF REVENUES OVER						
(UNDER) EXPENDITURES	(1,320,317)	115,676	-	(357,812)	61,797	(1,500,656)

(continued)

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
FOR THE YEAR ENDED JUNE 30, 2004

	General	Title I	Headstart	School Lunch	Other Governmental	Total
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	224,861	-	-	-	-	224,861
Transfers out	-	(124,921)	-	-	(99,940)	(224,861)
TOTAL OTHER FINANCING SOURCES (USES)	224,861	(124,921)	-	-	(99,940)	-
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</u>						
	(1,095,456)	(9,245)	-	(357,812)	(38,143)	(1,500,656)
Fund balances, June 30, 2003, restated	(571,508)	-	-	738,685	75,047	242,224
FUND BALANCES, JUNE 30, 2004	<u>\$ (1,666,964)</u>	<u>\$ (9,245)</u>	<u>\$ -</u>	<u>\$ 380,873</u>	<u>\$ 36,904</u>	<u>\$ (1,258,432)</u> (concluded)

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS -
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2004

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds		\$ (1,500,656)
Capital Assets:		
Capital outlay and other expenditures capitalized	\$ 1,561,897	
Depreciation expense for year ended June 30, 2004	<u>(142,233)</u>	1,419,664
Long Term Debt:		
Change in compensated absences payable		<u>(2,889)</u>
Change in Net Assets - Governmental Activities		<u>\$ (83,881)</u>

The accompanying notes are an integral part of this statement

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2004

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents - School Activity Accounts	<u>\$ 245,529</u>
TOTAL ASSETS	<u><u>\$ 245,529</u></u>
<u>LIABILITIES</u>	
Amounts held for others	<u>\$ 245,529</u>
TOTAL LIABILITIES	<u><u>\$ 245,529</u></u>

The accompanying notes are an integral part of this statement

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Franklin Parish School Board was created by Louisiana Revised Statute LSA-R S 17:81 to establish policies and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates ten schools within the parish with a total enrollment of approximately 3,600 pupils. In conjunction with the regular educational 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.

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The School Board also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board has a significant relationship.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements (GWFS)

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

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements (FFS)

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

The funds of the School Board are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follow:

Governmental Fund Type

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

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

Title I Special Revenue Fund accounts for the operations and activities of the federal Title I grant.

Headstart Special Revenue Fund accounts for the operations and activities of the Headstart grant.

School Lunch Special Revenue Fund accounts for the operations of the school lunch program.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Governmental Fund Type (continued)

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

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

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales and use taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues (which include the state Minimum Foundation Program revenue and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Other receipts become measurable and available when cash is received by the School Board and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30.

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

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Fiduciary Fund Type

Agency Funds (Fiduciary Fund Type) are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in the agency capacity. The agency fund consists of the school activities agency fund which accounts for assets held by the School Board as an agent for the individual schools and school organizations. Agency funds are accounted for on the accrual basis of accounting.

C. **CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

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 Louisiana law and national banks having their principal offices in Louisiana.

D. **SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet. Short-term interfund loans are also classified as interfund receivables/payables.

E. **ELIMINATION AND RECLASSIFICATIONS**

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

F. **INVENTORY**

Inventory of the school food service special revenue fund consists of food purchased by the School Board and commodities granted by the United States Department of Agriculture through the Louisiana Department of Agriculture and Forestry. The commodities are recorded as revenues when consumed; however, all inventory items are recorded as expenditures when purchased. All purchased inventory items are valued at cost using first-in, first-out (FIFO) method, and commodities are assigned values based on information provided by the U. S. Department of Agriculture.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CAPITAL ASSETS

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School Board maintains a \$5,000 threshold level for capitalizing assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 9 to 10 years for equipment and 20 to 40 years for buildings and improvements.

H. COMPENSATED ABSENCES

All 12-month employees earn up to ten days of vacation leave each year, depending on their length of service with the School Board. Vacation leave can be accumulated. Upon separation, all unused vacation is paid to the employee.

All School Board employees earn a certain amount of sick leave each year, depending upon the length of service and employment status. Sick leave can be accumulated without limitation. Upon retirement or death, unused accumulated sick leave of up to twenty-five days is paid to the employee or to the employee's estate at the employee's current rate of pay. Under the Louisiana Teachers' Retirement System, and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement computation as earned service.

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

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

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

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

- a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. COMPENSATED ABSENCES (continued)

- b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. The School Board uses this approach.

I. RESTRICTED NET ASSETS.

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

J. FUND EQUITY OF FUND FINANCIAL STATEMENTS.

Reserves represent those portions of fund equity not appropriate for expenditures..

Designated Fund Balances represent tentative plans for future use of financial resources.

K. INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

L. SALES AND USE TAXES

The School Board has the following two sales tax ordinances:

The voters of Franklin Parish authorized the School Board to levy and collect two separate sales and use taxes; a 1% tax and a ½% tax. Revenues generated by the two taxes must be used exclusively to supplement other revenues available to the School Board for the following purposes:

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

L. **SALES AND USE TAXES** (continued)

1% Sales and Use Tax - 80% of the tax are to be used for the payment of salaries of classroom teachers in the public elementary and secondary schools of Franklin Parish. The remaining 20% of the net proceeds are to be used for payment of salaries of other personnel employed by the School Board and for improvement of the operation of the public elementary and secondary schools of Franklin Parish.

½% of 1% Sales and Use Tax - a minimum of 15% of the net proceeds of the tax are to be used for the purpose of purchasing and acquiring classroom teaching supplies and equipment. The remaining taxes are to be used for the purpose of constructing, acquiring and improving school related facilities and equipment, and for the payment of maintenance and operating expenses of the public school system.

The receipt and expenditure of the sales and use taxes are included in the operations of the General Fund.

M. **USE OF ESTIMATES**

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

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations in Individual Funds. The following individual funds had actual expenditures over budgeted expenditures for the year ended June 30, 2004:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General fund	\$ 19,791,212	\$ 20,908,413	\$ 1,117,201
Lunch fund	1,689,500	1,979,978	290,478

3. **AD VALOREM TAXES**

The School Board levies taxes on real and business personal property located within Franklin Parish's boundaries. Property taxes are levied by the School Board on property values assessed by the Franklin Parish Tax Assessor and approved by the Louisiana Tax Commission.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. **AD VALOREM TAXES** (continued)

The Franklin Parish Sheriff's Office bills and collects property taxes for the School Board. Collections are remitted to the School Board monthly.

	<u>Property Tax Calendar</u>
Millage rates adopted	September, 2002
Levy date	November, 2003
Tax bills mailed	November, 2003
Due date	December 31, 2004
Lien date	February, 2004
Collection date	May, 2004
Tax Sale Date – 2003 Delinquent Property	May, 2004

Total assessed value was \$45,179,327 in calendar year 2003. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$24,534,335 of the assessed value in calendar year 2003.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the general and debt service funds on the basis explained in Note 1. Revenues in such funds are recognized in the accounting period in which an enforceable legal claim arises. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. The School Board uses the lien date to establish the enforceable legal claim date.

The tax roll is prepared by the parish tax assessor in November of each year. The collection of the 2004 property taxes occurs in December and January and February of the next year.

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
<u>Parish-wide taxes:</u>			
Constitutional School Tax	4.41	4.41	N/A
Aid-To-Education	4.45	4.45	2008
Maintenance & Improvements	5.14	5.14	2006

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS

The carrying amount of the School Board's deposits with the financial institutions was \$1,289,954 and the bank balance was \$3,426,331 at June 30, 2004. Cash is classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered or securities which are held by the School Board or its agent in the School Board's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the bank or agent in the School Board's name. Category 3 includes the uninsured and unregistered investments with the securities held by the bank or agent but not in the School Board's name.

	Category			Total
	1	2	3	
Cash	\$ 300,000	\$ 3,126,331	\$ -	\$ 3,426,331

5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	-	1,561,897	-	1,561,897
Total capital assets, not being depreciated	54,850	1,561,897	-	1,616,747
Capital assets, being depreciated:				
Buildings and improvements	7,480,213	-	-	7,480,213
Machinery and equipment	893,101	-	-	893,101
Total capital assets, being depreciated	8,373,314	-	-	8,373,314
Total capital assets	8,428,164	1,561,897	-	9,990,061
Less accumulated depreciation for:				
Buildings and improvements	6,127,261	109,474	-	6,236,735
Machinery and equipment	653,360	32,759	-	686,119
Total accumulated depreciation	6,780,621	142,233	-	6,922,854
Total capital assets, being depreciated, net	1,592,693	(142,233)	-	1,450,460
Governmental activities capital assets, net	\$ 1,647,543	\$ 1,419,664	\$ -	\$ 3,067,207

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS

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

Under the TRSL Regular Plan, there are two retirement formulas: the 2% formula and the 2.5% formula. Participants may retire under the 2% formula at age 60 with at least 10 years of service credit or at any age with 20 years of service credit. Under the 2.5% formula, participants may retire at age 65 with 20 years of service credit; at age 55 with 25 years of service credit; or at any age with 30 years of service credit. The retirement benefit formula is based on the average salary of the 36 highest consecutive months times the applicable retirement percentage formula.

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

Funding Policy: As provided by statute, the School Board contributes to the TRSL based upon a percentage of covered payroll. State statutes also require covered employees to contribute a percentage of their salaries to the system. The contribution rates in effect for the year ended June 30, 2004 were as follows:

	<u>School Board</u>	<u>Employees</u>
Regular plan	13.8%	8.00%
Plan A	13.8%	9.10%

As further provided by the statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's and employees' contributions to the TRSL plans for the years June 30, 2004, 2003 and 2002 were \$2,678,917, \$2,676,277, and \$2,502,408, respectively, equal to the statutorily required contributions in each year.

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

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

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS (continued)

Funding Policy: As provided by statute, the School Board contributes to the LSERS based upon a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2004 were 8.5% and 7.5%, for the school system and the employees, respectively. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by the statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contributions to the LSERS plans for the years June 30, 2004, 2003 and 2002 were \$110,549, \$95,729, and \$87,674, respectively, equal to the statutorily required contributions in each year.

The LSERS issues an annual, public-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Louisiana School Employees' Retirement System, P. O. Box 445616, Capital Station, Baton Rouge, Louisiana 70804 or by calling (225) 925-6484.

7. OTHER POST-EMPLOYMENT BENEFITS

State statutes require the School Board to provide 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. These benefits for retirees and similar benefits for active employees are provided through the State Employees' Group Benefits Programs whose monthly premiums are paid jointly by the employee and the School Board. The cost of retiree benefits for the 407 School Board retirees totaled \$2,009,873 for the year ended June 30, 2004.

8. AGENCY FUND DEPOSITS DUE OTHERS

A summary of changes in school activities agency fund deposits due others for the year ended June 30, 2004 follows:

	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, Ending</u>
Agency Funds:				
School Activities Accounts	\$ 262,916	\$ 835,269	\$ 852,656	\$ 245,529

9. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ 777,368	\$ 2,889	\$ -	\$ 780,257

The compensated absences liability attributable to the governmental activities will be liquidated by several of the School Board's governmental funds.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

10. INTERFUND TRANSACTIONS

Interfund receivable/payable:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General	\$ 807,788	General	\$ 275,372
Title I	38,796	Title I	60,520
Other governmental	100	Headstart	2,318
		School lunch	765
		Other governmental	<u>507,709</u>
Total	<u>\$ 846,684</u>		<u>\$ 846,684</u>

The purpose of interfund receivable/payable is to cover expenditures on cost reimbursement programs until reimbursements are received.

Transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 224,861	\$ -
Title I	-	124,921
Other governmental	-	<u>99,940</u>
Totals:	<u>\$ 224,861</u>	<u>\$ 224,861</u>

The purpose of interfund transfers is to cover operating expenditures of the general fund through indirect cost recoveries charged to grant programs.

11. RISK MANAGEMENT

The School Board manages its exposure under general liability, fleet, and errors and omissions through the purchase of commercial insurance. Qualifying employees and retirees may participate in the state group medical and life insurance plan. Risk of loss under workers' compensation statutes is self-insured by the School Board for up to \$225,000 per occurrence, with reinsurance coverage in force for losses in excess of that amount. The self-insured plan is administered by a third party, with the claims under the self-insured amount paid by the General Fund; certain Special Revenue funds may reimburse the General Fund for payment of their claims. Consistent with the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the School Board uses the General Fund to account for its risk financing activities. Claims outstanding at June 30, 2004 of \$39,009 have been recorded as liabilities in the accompanying financial statements..

12. LITIGATION AND CLAIMS

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

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

12. LITIGATION AND CLAIMS (continued)

Grant Disallowances. The School Board participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants.

Group Benefits. At the year ended June 30, 2004, the School Board owed the State Office of Group Benefits (OGB) amounts totaling \$493,339 which are included in the General Fund accounts payable. These amounts represent second quarter retiree health insurance premiums that are delinquent and unpaid at year end. Under an agreement with the OGB, the School Board is obligated to pay all subsequent months in full and no less than \$10,000 per month toward delinquent amounts owed. All delinquent amounts are to be brought current as of March 31, 2005.

13. DEFICIT FUND BALANCES

Deficit fund balances exist in the following funds:

General Fund	\$ 1,666,964
Title One	\$ 9,245
State Grants	\$ 23,793
Title V	\$ 361
Other Federal	\$ 224

This condition is the result of current liabilities exceeding available resources to satisfy those liabilities and from cumulative excesses of expenditures over revenues.

The School Board has addressed the deficit position of the school system through the following actions:

- Adoption of a balanced budget for 2004-2005 which reverses the trend of operating deficits which caused the net deficit position.
- A property tax proposal was put before the Franklin Parish voters in November, 2004. The proposed tax was to service debt payments on newly issued bonds, the proceeds of which were to be used for facilities construction and reduction of the general fund deficit. This proposal failed.

14. ACCOUNTING CHANGES

Change in Accounting Principle

The School Board applied Governmental Accounting Standards Board Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*". The effect of this change was to accrue sales tax collections for the month in which the underlying sale occurs as opposed to the date collected.

Prior Period Adjustment

Prior year financial statements omitted capital assets from the statement of net assets. Net assets have been restated as of June 30, 2003 to reflect net capital assets as of that date.

FRANKLIN PARISH SCHOOL BOARD

NOTES TO THE BASIC FINANCIAL STATEMENTS

14. **ACCOUNTING CHANGES** (continued)

Restatements of fund balances and net assets are summarized as follows:

	<u>Fund Balance General Fund</u>	<u>Fund Balance Other Governmental</u>	<u>Net Assets Government Wide</u>
Fund Balance / Net Assets as of June 30, 2003, as previously stated	\$ (786,483)	\$ 53,113	\$ (772,053)
Recording of capital assets as of June 30, 2003 (Prior period adjustment)	-	-	1,647,543
Recording of sales tax receivable resulting from application of GASB 33 (Change in accounting principle)	236,909	-	236,909
Separation of certain Federal Funds from the General Fund	(21,934)	21,934	-
Fund Balance / Net Assets as of June 30, 2003, restated	<u>\$ (571,508)</u>	<u>\$ 75,047</u>	<u>\$ 1,112,399</u>

Franklin Parish School Board

Winnsboro, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION

FRANKLIN PARISH SCHOOL BOARD

BUDGETARY COMPARISON SCHEDULES

General Fund and Major Special Revenue Funds With Legally Adopted Annual Budgets

GENERAL FUND. The General Fund accounts for all activities of the School Board except those that are accounted for in other funds.

TITLE I. To improve the educational opportunities of educationally deprived children by helping them succeed in the regular school program, attain grade level proficiency and improve achievement in basic and more advanced skills. Primarily for provision of compensatory instructional activities to educationally deprived children that reside in low-income areas and have been selected on the basis of a needs assessment. Services supplement, not supplant, those normally provided by state and local educational agencies.

HEADSTART. To provide a comprehensive child development program for 3 and 4 year old children from low income families. The program serves both the child and the family.

SCHOOL LUNCH. The school lunch fund accounts for activities of the school board's food service program.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<u>Revenues:</u>				
Local sources:				
Taxes:				
Ad valorem	\$ 343,393	\$ 343,393	\$ 470,591	\$ 127,198
Sales and use	2,445,394	2,445,394	2,803,729	358,335
Earnings on investments	21,843	21,843	6,226	(15,617)
Other	591,789	591,789	277,944	(313,845)
State sources:				
Unrestricted grants-in-aid	14,860,232	14,860,232	15,247,601	387,369
Restricted grants-in-aid	1,384,495	1,384,495	730,977	(653,518)
Federal sources:				
Grants-in-aid - subgrants	291,500	291,500	51,028	(240,472)
Total revenues	<u>19,938,646</u>	<u>19,938,646</u>	<u>19,588,096</u>	<u>(350,550)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular education programs	10,981,873	10,981,873	11,322,074	(340,201)
Special education programs	1,373,761	1,373,761	1,910,095	(536,334)
Other education programs	1,110,652	1,110,652	904,537	206,115
Support services:				
Pupil support services	407,584	407,584	473,900	(66,316)
Instructional staff services	510,753	510,753	429,689	81,064
General administration services	592,792	592,792	757,238	(164,446)
School administration services	931,526	931,526	1,044,053	(112,527)
Business administration services	273,037	273,037	348,251	(75,214)
Plant operation and maintenance	1,255,581	1,255,581	1,169,254	86,327
Transportation	1,845,840	1,845,840	2,131,066	(285,226)
Food services	83,251	83,251	87,158	(3,907)
Central services	-	-	-	-
Community services	1,875	1,875	1,500	375
Capital Outlay				
Facilities acquisition and construction	-	-	-	-
Unidentified Charges	-	-	329,598	(329,598)
Total expenditures	<u>19,368,525</u>	<u>19,368,525</u>	<u>20,908,413</u>	<u>(1,539,888)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>570,121</u>	\$ <u>570,121</u>	\$ <u>(1,320,317)</u>	\$ <u>(1,890,438)</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<u>Other financing sources (uses):</u>				
Operating transfers in	\$ 106,000	\$ 106,000	\$ 224,861	\$ 118,861
Operating transfers out	<u>(422,687)</u>	<u>(422,687)</u>	<u>-</u>	<u>422,687</u>
Total other financing sources (uses)	(316,687)	(316,687)	224,861	541,548
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	253,434	253,434	(1,095,456)	(1,348,890)
Fund balances, June 30, 2003, restated	<u>940,758</u>	<u>940,758</u>	<u>(571,508)</u>	<u>(1,512,266)</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 1,194,192</u>	<u>\$ 1,194,192</u>	<u>\$ (1,666,964)</u>	<u>\$ (2,861,156)</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

TITLE I FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	Title I Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Grants-in-aid - subgrants	\$ 1,877,107	\$ 2,183,336	\$ 1,475,303	\$ (708,033)
Total revenues	<u>1,877,107</u>	<u>2,183,336</u>	<u>1,475,303</u>	<u>(708,033)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Other education programs	1,214,508	1,412,642	985,418	427,224
Support services:				
Pupil support services	58,386	67,911	47,373	20,538
Instructional staff services	293,571	341,463	238,195	103,268
General administration services	4,930	5,734	4,000	1,734
School administration services	-	-	-	-
Business administration services	13,578	15,793	11,017	4,776
Plant operation and maintenance	132,880	154,558	107,815	46,743
Transportation	6,055	7,043	4,913	2,130
Unidentified Charges	-	-	(39,104)	39,104
Total expenditures	<u>1,723,908</u>	<u>2,005,145</u>	<u>1,359,627</u>	<u>645,518</u>
Excess (deficiency) of revenues over expenditures	\$ 153,199	\$ 178,191	\$ 115,676	\$ (62,515)
<u>Other financing sources (uses):</u>				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	<u>(153,199)</u>	<u>(178,191)</u>	<u>(124,921)</u>	<u>53,270</u>
Total other financing sources (uses)	<u>(153,199)</u>	<u>(178,191)</u>	<u>(124,921)</u>	<u>53,270</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	-	-	(9,245)	(9,245)
Fund balances, June 30, 2003	-	-	-	-
FUND BALANCES, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,245)</u>	<u>\$ (9,245)</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

HEADSTART FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Headstart Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>				
Local sources:				
Other	\$ -	\$ 71	\$ 71	\$ -
In-Kind	-	-	253,231	253,231
Federal sources:				
Grants-in-aid - subgrants	896,476	896,476	819,276	(77,200)
Total revenues	<u>896,476</u>	<u>896,547</u>	<u>1,072,578</u>	<u>176,031</u>
<u>Expenditures:</u>				
Current				
Instruction:				
Other education programs	556,425	564,310	604,871	(40,561)
Special and adult education programs	-	-	-	-
Support services:				
Pupil support services	-	-	-	-
Instructional staff services	70,893	73,909	76,759	(2,850)
General administration services	4,892	7,241	74,871	(67,630)
School administration services	-	-	-	-
Business administration services	37,435	37,379	36,521	858
Plant operation and maintenance	52,394	42,588	154,771	(112,183)
Transportation	150,167	149,118	73,901	75,217
Food services	24,270	21,928	21,086	842
Community services	-	-	29,798	(29,798)
Unidentified Charges	-	-	-	-
Total expenditures	<u>896,476</u>	<u>896,473</u>	<u>1,072,578</u>	<u>(176,105)</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 74	\$ -	\$ (74)
 <u>Other financing sources (uses):</u>				
Other	-	8,000	-	(8,000)
Total other financing sources (uses)	-	8,000	-	-
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	-	8,074	-	(8,074)
Fund balances, June 30, 2003	-	-	-	-
FUND BALANCES, JUNE 30, 2004	<u>\$ -</u>	<u>\$ 8,074</u>	<u>\$ -</u>	<u>\$ (8,074)</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

SCHOOL LUNCH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

	School Lunch Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<u>Revenues:</u>				
Local sources:				
Earnings on investments	\$ -	\$ -	\$ 2,773	\$ 2,773
Food services	163,000	163,000	169,389	6,389
Other	-	-	4,248	4,248
State sources:				
Unrestricted grants-in-aid	424,000	424,000	70,572	(353,428)
Federal sources:				
Grants-in-aid - subgrants	1,390,000	1,390,000	1,375,184	(14,816)
Total revenues	<u>1,977,000</u>	<u>1,977,000</u>	<u>1,622,166</u>	<u>(354,834)</u>
<u>Expenditures:</u>				
Current:				
Food services	1,689,500	1,689,500	1,956,506	(267,006)
Unidentified Charges	-	-	23,472	(23,472)
Total expenditures	<u>1,689,500</u>	<u>1,689,500</u>	<u>1,979,978</u>	<u>(290,478)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>287,500</u>	\$ <u>287,500</u>	\$ <u>(357,812)</u>	\$ <u>(645,312)</u>
<u>Other financing sources (uses):</u>				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	287,500	287,500	(357,812)	(645,312)
Fund balances, June 30, 2003	<u>738,685</u>	<u>738,685</u>	<u>738,685</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 1,026,185</u>	<u>\$ 1,026,185</u>	<u>\$ 380,873</u>	<u>\$ (645,312)</u>

FRANKLIN PARISH SCHOOL BOARD

NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2004

BUDGETS

General Budget Practices. The School Board follows these procedures in establishing the budgetary data reflected in the financial statements.

State statute requires budgets to be adopted for the general fund and all special revenue funds.

Each year prior to September, the Superintendent submits to the Board proposed annual budgets for the general fund and special revenue funds. Public hearings are conducted, prior to the Board's approval, to obtain taxpayer comments. The operating budgets include proposed expenditures and the means of financing them.

Appropriations (unexpended budget balances) lapse at year-end.

Formal Budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the function level. Budget amounts included in the accompanying financial statements consist of those presented in the original budget adopted by the Board. No amendments to the original budget were made or adopted.

Encumbrances. Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Budget Basis of Accounting. All governmental funds' budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are originally adopted or amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budget when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The School Board approves budgets at the function level and management can transfer amounts between line items within a function.

FRANKLIN PARISH SCHOOL BOARD

SUPPLEMENTAL INFORMATION

COMBINING NON-MAJOR GOVERNMENTAL FUND STATEMENTS

FRANKLIN PARISH SCHOOL BOARD

NON-MAJOR SPECIAL REVENUE FUNDS

Title II. Combines the Eisenhower Professional Development State Grants and Class-Size Reduction programs into one program that focuses on preparing, training and recruiting high-quality teachers.

Title IV. Safe and Drug-Free School program to support programs designed to reduce drug, alcohol and tobacco use and violence through education and prevention activities in school.

Title V. To encourage comprehensive systematic school reform, upgrade institutional and professional development to align with high standards, strengthen accountability and promote the coordination of resources to improve education for all children.

Special Education. *The Individuals with Disabilities Act (IDEA)* is a federally financed program providing free appropriate education for all identified handicapped children from 3 to 21 years of age in the least restrictive environment.

Adult Education. A program which offers higher education opportunities to persons who are age 16 and older.

Other Federal Programs. Accounts for the proceeds of miscellaneous small or non-recurring federal grants including Vocational Education, Enhancing Education through Technology, and the School Renovation Grant.

State Grants. Used to account for special grants received from various departments of the State of Louisiana.

Maintenance Funds. To account for 5.14 mills property tax proceeds dedicated to maintenance of school property and for specific tax proceeds dedicated to Ward 8 and 9.

Debt Service Funds. Accounts for the residual of tax proceeds that were once dedicated to debt retirement. The tax has expired and the associated debt has been retired.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Title II	Title IV	Title V	Special Education	Adult Education
<u>ASSETS</u>					
Cash and cash equivalents	\$ 99,596	\$ 562	\$ 2,005	\$ -	\$ -
Due from other funds	63	-	-	-	-
Due from other governments	7,411	-	-	49,313	21,683
TOTAL ASSETS	<u>\$ 107,070</u>	<u>\$ 562</u>	<u>\$ 2,005</u>	<u>\$ 49,313</u>	<u>\$ 21,683</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,001	\$ 27
Salaries and benefits payable	37,982	-	-	5,610	-
Due to other funds	58,989	562	2,366	28,082	21,656
Deferred revenues	10,099	-	-	12,620	-
TOTAL LIABILITIES	<u>107,070</u>	<u>562</u>	<u>2,366</u>	<u>49,313</u>	<u>21,683</u>
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Fund	-	-	(361)	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>(361)</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,070</u>	<u>\$ 562</u>	<u>\$ 2,005</u>	<u>\$ 49,313</u>	<u>\$ 21,683</u>

Other Federal	State Grants	Maintenance	Debt Service	Total
\$ 4,454	\$ 5	\$ 109,150	\$ 14,622	\$ 230,394
-	37	-	-	100
389,482	142,053	-	-	609,942
<u>\$ 393,936</u>	<u>\$ 142,095</u>	<u>\$ 109,150</u>	<u>\$ 14,622</u>	<u>\$ 840,436</u>
\$ 153,072	\$ 39,462	\$ 5,490	\$ -	\$ 201,052
8,773	-	-	-	52,365
212,628	126,426	57,000	-	507,709
19,687	-	-	-	42,406
<u>394,160</u>	<u>165,888</u>	<u>62,490</u>	<u>-</u>	<u>803,532</u>
-	-	-	14,622	14,622
(224)	(23,793)	46,660	-	22,282
(224)	(23,793)	46,660	14,622	36,904
<u>\$ 393,936</u>	<u>\$ 142,095</u>	<u>\$ 109,150</u>	<u>\$ 14,622</u>	<u>\$ 840,436</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FISCAL YEAR ENDED JUNE 30, 2004

	Title II	Title IV	Title V	Special Education	Adult Education
<u>REVENUES</u>					
<i>Local sources:</i>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
<i>State sources:</i>					
Restricted grants-in-aid	-	-	-	-	-
Federal grants	459,535	49,508	22,217	350,576	35,463
TOTAL REVENUES	459,535	49,508	22,217	350,576	35,463
<u>EXPENDITURES</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular education programs	-	-	-	-	-
Special education programs	-	-	-	282,607	-
Other education programs	400,609	-	-	-	33,449
<i>Support:</i>					
Pupil support services	-	48,493	-	612	-
Instructional staff services	-	-	19,754	28,436	2,014
General administration services	1,000	-	250	1,000	-
Business and central services	-	-	-	9,032	-
Plant operation and maintenance	-	-	-	13,072	-
Facility acquisition and construction	-	-	-	-	-
Other	(10,154)	(403)	569	667	-
TOTAL EXPENDITURES	391,455	48,090	20,573	335,426	35,463
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	68,080	1,418	1,644	15,150	-
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	(68,080)	(1,418)	(2,005)	(28,437)	-
TOTAL OTHER FINANCING SOURCES (USES)	(68,080)	(1,418)	(2,005)	(28,437)	-
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</u>					
	-	-	(361)	(13,287)	-
Fund balances, June 30, 2003, restated	-	-	-	13,287	-
FUND BALANCES, JUNE 30, 2004	\$ -	\$ -	\$ (361)	\$ -	\$ -

<u>Other Federal</u>	<u>State Grants</u>	<u>Maintenance</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 247,001	\$ -	\$ 247,001
-	30,149	630	-	30,779
-	306,290	-	-	306,290
<u>1,897,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,814,534</u>
<u>1,897,235</u>	<u>336,439</u>	<u>247,631</u>	<u>-</u>	<u>3,398,604</u>
-	2,530	-	-	2,530
-	-	-	-	282,607
459,386	361,123	(277)	-	1,254,290
-	-	-	-	49,105
534	-	-	-	50,738
250	-	-	-	2,500
-	-	-	-	9,032
-	-	236,026	3,712	252,810
1,561,897	-	-	-	1,561,897
(115,960)	(3,421)	-	-	(128,702)
<u>1,906,107</u>	<u>360,232</u>	<u>235,749</u>	<u>3,712</u>	<u>3,336,807</u>
<u>(8,872)</u>	<u>(23,793)</u>	<u>11,882</u>	<u>(3,712)</u>	<u>61,797</u>
-	-	-	-	-
-	-	-	-	(99,940)
-	-	-	-	(99,940)
<u>(8,872)</u>	<u>(23,793)</u>	<u>11,882</u>	<u>(3,712)</u>	<u>(38,143)</u>
<u>8,648</u>	<u>-</u>	<u>34,778</u>	<u>18,334</u>	<u>75,047</u>
<u>\$ (224)</u>	<u>\$ (23,793)</u>	<u>\$ 46,660</u>	<u>\$ 14,622</u>	<u>\$ 36,904</u>

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2004

Mrs. Dorothy Brown	\$ 4,200
Mr. Rickey Donnell	4,200
Mr. James Harris	4,200
Mrs. Louise Johnson	4,500
Mrs. Bobbie Johnston	4,200
Mr. J. W. Mercer	2,100
Mr. Lawrence Roberts	4,200
Mr. A. L. Rhodes	<u>2,500</u>
	<u>\$ 30,100</u>



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

Franklin Parish School Board
Winnsboro, Louisiana

We were engaged to audit the financial statements of the Franklin Parish School Board as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We did not express an opinion on the financial statements because of unreconciled interfund balances and related charges to operations, and because of significant uncertainties regarding the School Board's ability to continue as a going concern. We were unable to apply audit procedures to satisfy ourselves.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Franklin Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 or 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 items 2004-3, 2004-4, and 2004-5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Franklin Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgment, could adversely affect the School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned cost as item 2004-1 and 2004-2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of 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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions referred to above, we believe that items 2004-1 and 2004-2 referred to above are material weaknesses. Additionally, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Franklin Parish School Board in a separate letter dated December 20, 2004.

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

Postlethwaite ; Netterville

Baton Rouge, Louisiana
December 20, 2004





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

Franklin Parish School Board
Winnsboro, Louisiana

Compliance

We have audited the compliance of the Franklin Parish School Board with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Franklin Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Franklin Parish School Board's management. Our responsibility is to express an opinion on the Franklin Parish School Board's compliance based on our audit.

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

As described in item 2004-18 in the accompanying schedule of findings and questioned costs, Franklin Parish School Board did not comply with the requirements regarding allowable costs, cash management and reporting that are applicable to its Title I Program (84.010). Compliance with such requirements is necessary, in our opinion, for the Franklin Parish School Board to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Franklin Parish School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

The management of the Franklin Parish School Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Franklin Parish School Board's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be 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 Franklin Parish School Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, 2004-6, 2004-7, 2004-8, and 2004-9.

A material weakness is a reportable condition in which the design or operation of one or more 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 reportable conditions that are also considered to be material weaknesses. However, we believe that items 2004-1 and 2004-2 described above are material weaknesses.

Schedule of Expenditures of Federal Awards

We were engaged to audit the basic financial statements of the Franklin Parish School Board as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We did not express an opinion on the financial statements because of unreconciled interfund balances and related charges to operations, and because of significant uncertainties regarding the School Board's ability to continue as a going concern. 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. We did not audit the accompanying schedule of expenditures of federal awards and we express no opinion on it.

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 20, 2004



FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>CFDA Number</u>	<u>Expenditures 2004</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>		
Pass-through program from Louisiana Department of Education:		
School Lunch Program	10.555	\$ 925,083
School Breakfast Program	10.553	362,116
State Child Food Program - Food Distribution	10.569	87,985
		<u>1,375,184</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>		
Passed through Louisiana Department of Education:		
Title I Grants to Local Education Agencies	84.010	1,484,548
Title II - Improving Teacher Quality	84.367	459,535
Special Education - Grant to States	84.027	363,863
Special Education - Preschool Grants	84.173	163
Safe Drug-Free Schools and Communities Greatest Needs	84.186	49,508
Enhancing Education through technology	84.318	187,549
Adult Education - Federal Grant Program	84.002	35,463
Vocational Education - Basic Secondary	84.048	67,339
Title V - Innovative Education Strategies	84.298	22,578
School Renovation grants	84.352	1,561,897
Rural Education	84.358	80,674
		<u>4,313,117</u>
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Headstart	93.600	819,276
		<u>819,276</u>
<u>UNITED STATES DEPARTMENT OF DEFENSE</u>		
R.O.T.C.	NA	50,865
Total Expenditures of Federal Awards		\$ <u>6,558,442</u>

See the accompanying notes to the schedule of expenditures of federal awards

FRANKLIN PARISH SCHOOL BOARD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2004, the School Board received commodities valued at \$ 101,334. At June 30, 2004, the organization had food commodities totaling \$ 13,349 in inventory.

NOTE C – RECONCILIATION TO FINANCIAL STATEMENTS

Total Federal Award Expenditures per schedule	\$ 6,558,442
Excess Revenue over (under) Expenditures of the following funds:	
Title I	(9,245)
Title V	(361)
Special Education	(13,287)
Other federal	<u>(224)</u>
Total Federal Revenue (all funds) per the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2004	<u>\$ 6,535,325</u>

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Disclaimer of an opinion.*

Internal Control over Financial Reporting:

- Material weakness(es) identified? x yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted?

 x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 x yes no

Identification of major programs:

CFDA Numbers

84.010
93.600
84.352A

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies
Head Start
School Renovation; IDEA & Tech.

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The Franklin Parish School Board was not determined to be a low-risk auditee.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

B. Findings -- Financial Statement Audit

2004-1 Reconciliation of bank statements to the general ledger

Criteria: To ensure accurate financial reporting and to provide a process for detection of improper cash activity, bank reconciliations should be performed monthly for each bank\brokerage account.

Condition: The payroll clearing bank account was not reconciled on a monthly basis to the general ledger.

Effect: Absent the process of reconciliation on a regular basis, financial reports may be inaccurate and monitoring of cash activity does not occur.

Recommendation: The payroll clearing bank account should be reconciled to the general ledger on a monthly basis.

Management's Response: Every effort is now made for bank reconciliations to be done monthly.

2004-2 Balancing and settlement of amounts due to and from other funds

Criteria: In the routine operation of the school system, amounts are customarily advanced from the general fund to the other funds of the school district in order to pay expenses. The practice of advancing funds is routine and even necessary for the operation federal programs, as federal regulations mandate that the school system disburse expenditures, then seek reimbursement for eligible program costs. When making these advances, proper accounting is essential in order to ensure that advances are returned to the general fund.

Condition: In the performance of the audit, we noted that the amounts due to and from the various funds were not reconciled nor settled on a regular basis. Furthermore, the amounts were out of balance with each other (meaning that the due from certain funds did not match the amounts due to in the corresponding funds).

Effect: This condition results in several financial reporting issues. First, as amounts go unsettled, it is less likely that they will ever be collected by the General Fund. Secondly, confusion can arise as to what is owed to the general fund, ultimately resulting in loss to the general fund. Furthermore, reconciliation of the advances provides a check and balance against amounts to be received from the State DOE. Without the process of reconciliation of the advances, costs may be omitted from the federal program reimbursement requests, ultimately resulting in lost reimbursement of the federal funds.

Recommendation: We recommend that advances to and from all funds be reconciled and settled on a monthly basis.

Management's Response: Combining funds into a Master Bank has been done to eliminate this condition.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-3

Violation of State Budget Law, General Fund deficits

- Criteria:** LSA-RS 39:1310 and 1311 provide that state that the chief executive or administrative officer shall notify the board when actual beginning fund balance fails to meet estimated beginning fund balance by five percent or more, or when budget revenues or expenditures are projected to fall negatively compared to the budget by five percent or more. Upon receiving the notification, the Board is to amend the budget. In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year.
- Condition:** The General Fund's beginning fund balance failed to meet estimated beginning fund balance by approximately \$1.2 million. The Board did not subsequently amend the budget to reflect this revised fund balance.
- Effect:** The School Board is non-compliant with the state budget law. Additionally, failure to act timely may have contributed to the fund deficit, which is now approximately \$1.7 million, as compared to approximately \$800,000 at the beginning of the fiscal year.
- Recommendation:** The Board should amend the budgets in accordance with the statute. Additionally, the budgets should be monitored on a continual basis. To assist the Board in execution of its duties, accurate and reliable financial reports should be submitted to the board on a monthly basis. The reports should include an analysis of actual expenditures in comparison to the budget. The accounting staff should take appropriate steps to ensure the accuracy and reliability of reports submitted to the board.

Management's

Response:

Monthly reports are submitted to the board. The reduction of the deficit is a high priority of the current administration. The restraint on new purchases reflects this in the revenue and expenditure reports submitted monthly, which will hopefully reduce the deficit and bring the board back into compliance.

2004-4

Violation of State Budget Law

- Criteria:** LSA-RS 39: 1305 requires submission of proposed budgets for the General Fund and each special revenue fund to be submitted to the Board and made available for public inspection no later than September 15. LSA-RS 39:1308 requires the Board to adopt the budgets in public session.
- Condition:** The special revenue funds of the School Board were not submitted to the Board or made available for public inspection. Furthermore, the budgets were not adopted by the Board.
- Effect:** The special revenue funds were operating under unapproved budgets. Approval of these budgets by the Board and public inspection is required by state law.
- Recommendation:** The special revenue funds' budgets should be submitted to the Board and made available for public inspection in accordance with the statute.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-4 **Violation of State Budget Law** (continued)

Management's Response: *The special revenue funds have been submitted on the beginning budget for 04/05.*

2004-5 **Violation of State Audit Law**

Criteria: LSA-RS 24:513 requires all public board and agencies with revenues of \$3,500,000 in one fiscal year to be audited in accordance with Louisiana Audit Guide. Said audit must be completed and submitted to the Louisiana Legislative Auditor no more than six months after the close of the entity's fiscal year.

Condition: The School Board obtained an audit of its books and records, however, said audit was not submitted to the Legislative Auditor within the required time frame.

Effect: The School Board is out of compliance with the state audit law.

Recommendation: The audit should be completed and submitted to the board within the required time frame. The administrative staff and the auditors should work together to ensure future compliance.

Management's Response: *Current administrative staff will work with auditors for a more timely audit in the future.*

C. Findings and Questioned Costs – Major Federal Award Programs

84.010 Title I

2004-6 **Allowable Costs**

Criteria: According to OMB Circular A-87, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Said certifications must be signed by the employee or his/her supervisor.

Condition: The required signed certifications were not obtained.

Questioned Cost: \$458,023

Effect: The School Board is in violation of the allowability provisions of OMB Cost Circular A-87 with regard to personnel compensation.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-6

Allowable Costs (continued)

Recommendation: The required certifications on employees working solely for federal programs should be signed by the program supervisors on a semi-annual basis as required by OMB Circular A-87.

*Management's
Response:*

Certifications are now completed as needed for 03/04 school year with affidavits.

2004-7

Allowable Costs

Criteria: According to OMB Circular A-87, where employees are expected to work on multiple cost objectives (programs), compensation costs charged to the various programs will be supported by personnel activity reports which reflect an after-the fact distribution of actual time spent in each program.

Condition: The positions of computer coordinator and skilled craft printer are charged to both Title One and the general fund. For these individuals, the required personnel activity reports are completed, however, they do not reflect actual time spent on each program. Rather, a general estimate of time of the percentage of total time an employee devoted to the Title 1 Program is made for the payroll period. This estimate used for each payroll period equates to the percentage indicated in the Title One budget approved by the state department of Education.

Questioned Costs: \$47,320

Effect: The School Board is in violation of the allowability provisions of OMB Cost Circular A-87 with regard to personnel compensation.

Recommendation: The personnel activity reports for the individuals should reflect actual time spent on each program\cost objective. The program staff may want to refine its definition of what constitutes Title One activity, as the job duties of these positions contain inherent administrative functions.

*Management's
Response:*

Certifications are now completed as needed for 03/04 school year with affidavits. These are currently reviewed and adjusted monthly as needed for 04/05.

2004-8

Allowable Costs

Criteria: OMB Circular A-87 general criteria indicates that costs charged to federal programs should be allocable to those programs, that is, each program should bear its fair share of all costs.

Condition: The central office maid's compensation of \$20,528 is paid entirely from the Title One program. Additionally, a disproportionate share of the power bill for a portion of the central office (the Media Center) is paid by Title One. This does not appear to be a fair allocation of these costs, as the central office houses the administration of several different programs, including general administration.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-8

Allowable Costs (continued)

Questioned Costs: Unkown

Effect: Title One may be absorbing costs that should be paid by the general fund and other federal programs.

Recommendation: Costs charged to the Title One program as direct costs should be directly related to the provision of Title One services. In future budgets, care should be exercised in budgeting administrative\indirect type costs to the program. These type costs are generally recouped through the indirect cost agreement with the state.

*Management's
Response:*

As of February 2005, maid salary will be two thirds general fund and one third Title I.

2004-9

Cash management

Criteria: Grantees the reimbursement basis should expend cash for eligible costs prior to the time of receiving draw-downs of grants funds. This should result in little to no build-up of cash for the federal program.

Condition: The Title One program has approximately \$180,000 of cash on hand at June 30, 2004. This condition was a result of the program receiving draw-downs of grant funds prior to the time they were disbursed. Additionally, an advance to other funds of approximately \$38,000 was made from this excess cash on hand.

Questioned Costs: Unknown

Effect: The School Board is non-compliant with the Common Rule regarding grants administration on cash management.

Recommendation: The program administration should contact the Louisiana Department of Education to determine a method for reducing the amount of available cash in the program to an appropriate level.

*Management's
Response:*

Title I expenditures are now incurred before requests are made except for salaries which may be requested in advance. Title programs are also through Master Bank. Indirect costs are transferred to general fund as reimbursement comes in.

2004-10

Special Tests and Provisions - Comparability

Criteria: An LEA must use state and local funds to provide services in participating schools that, taken as a whole, are at least comparable to that the LEA is providing to non-Title One schools.

Condition: One of the 8 participating Title One schools was determined to be non-comparable to non Title One schools, that is, the services provided with state and local funds were not at least equal to that of non Title One schools.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-10 **Special Tests and Provisions – Comparability** (continued)

Questioned Cost: Undetermined

Effect: The School Board is noncompliant with the comparability requirements for one of the participating schools.

Recommendation: In preparing the annual general fund budget, care should be taken to ensure that the comparability requirements are met for the Title One schools.

*Management's
Response:*

Since reorganization and reduction in staff was a looming factor in 03/04 due to consolidation at the end of the school year, it was not addressed in as timely a manner as would have been beneficial. The 2004/05 Comparability Report has been completed and schools are now comparable.

93.600 Head Start

2004-11 **Allowable Costs**

Criteria: OMB Circular A-87 general criteria indicates that costs charged to federal programs should be allocable to those programs, that is each program should bear its fair share of all costs.

Condition: Compensation of a school cafeteria employee was charged to the Head Start program.

Questioned Costs: \$10,500

Effect: Costs charged to the program are disproportionate to the benefits received.

Recommendation: The compensation costs of the school cafeteria employee should be charged to the national school lunch and breakfast program fund.

*Management's
Response:*

A stipulation of the Regional Head Start Office was that the new grantee (FPSB) would continue employment of as many of the Prior Head Start employees as possible. Since there would be 136 Head Start students and 26 staff being served by the Cafeteria and this person was a prior employee, it was determined that the salary would be paid by the Head Start program.

2004-12 **Matching**

Criteria: Head Start Regulations require a 20% match from grant recipients. Costs counted toward the match must comply with the provisions of OMB Circular A-87.

Condition: The School Board appears to have met its matching requirement. However, in calculating the School Board's in-kind match, the allocation of certain costs is questioned. Those costs include an allocation of the superintendent's compensation and utilities costs. Total questioned match of \$23,384. It should be noted that the School Board has met its matching requirement despite these questioned in-kind allocations.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-12

Matching (continued)

Effect: If in-kind contributions are not allocated fairly and reasonably, then the School Board could be at risk for failing to meet its matching requirements.

Recommendation: All allocations should be closely scrutinized for proper allocability.

***Management's
Response:***

Franklin Parish Head Start based the in-kind amounts on information received pertaining to utility. Costs on site (\$20.00 per child) and the number of programs (five major ones – 20% of salary used). Supervised by the superintendent. Federal monitors did not object to methods used to calculate in kind.

2004-13

Earmarking

Criteria: Ninety percent of all children served in the program must come from low income households.

Condition: The School Board's Head Start administration does not formally track the number of participants to ensure compliance with 90% low income participation requirement. Additionally, documentation of low income determination is lacking in participant files. The administration depends upon proof of low income determination from other programs serving the low income population such as food stamps, and Medicaid cards as opposed to performing their own determination of eligibility as required by the program guidelines.

Effect: The Board could not document that it met the 90% low income participation rule.

Recommendation: The program administration should formally track the number of low income children during the registration process and should maintain such documentation on file. Additionally, the administration should perform their own determination of eligibility based upon the program guidelines. This determination should be clearly documented in the participants file.

***Management's
Response:***

Franklin Parish Head Start now have a data base in which income eligibility is a part. Head Start staff examines acceptable proof of income (tax forms 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance) and signs a form verifying the proof examined, which is entered into the child's personal file. The family's annual salary is computed and compared to the Head Start poverty guidelines. This information is entered into the database. If the family is below the poverty guideline, then the child is considered for enrollment. Should there be any child whose family exceeds the poverty guideline but qualifies for the program in every other way, Head Start staff shall make sure that there are no more than 13 children (10% of 136) enrolled into the program (the oldest 13) who are not considered as low income.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-14

Procurement

- Criteria:** Recipients of state and local grants must comply with the state and local purchasing laws. LSA-RS 38:2212 requires that purchases of materials, supplies or equipment exceeding \$20,000 must be advertised for bids and let by contract to the lowest responsible bidder.
- Condition:** The School Board purchased playground equipment with a total cost of \$26,223. Although two competitive quotes were obtained, the purchase was not put through the bid process in accordance with state law.
- Questioned Costs:** \$26,223
- Effect:** With regard to this purchase, the School Board is noncompliant with the state bid law, and is thus non-compliant with federal program regulations.
- Recommendation:** All purchases of materials, supplies and equipment should comply with the bid law.

Management's

Response:

The piece of playground equipment bought for the Head Start playground actually cost \$14,946.00 plus freight of \$1,160.00. Other items purchased included an ADA accessible ramp for \$525.00, 50 yards of wood carpet for \$800.00, dura-liner for wood carpet for \$195.00, 28 fun timbers for \$1,008.00, and shipping costs for the surfacing of \$600.00. Three quotes were received and the lowest quote accepted. The installation of the equipment cost \$6,188.00 and installation of the surfacing was \$801.00, thereby making the total purchase over the limit of \$20,000.00. However, the equipment itself did not exceed the \$20,000.00 limit.

2004-15

Allowable Costs

- Criteria:** Cost charged to federal awards must comply with OMB Circular A-87 (the Circular). The Circular's basic guidelines require costs to be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of a government.
- Condition:** The School Board compensates its employees according to a Board approved salary schedule that sets standard pay for employees according to education and experience. The Head Start Program does not follow the salary schedule. Adherence to the salary schedule is necessary for compliance with the Circular.
- Questioned Costs:** Undetermined. Total compensation plus benefits in the program equals approximately \$592,500, however, calculating the amounts in excess of the salary schedule is complicated by the fact that Head Start employees do not receive end of the year salary supplements from dedicated sales tax, as do all other employees.
- Effect:** The Head Start employees receive regular compensation at levels above those for comparable positions of other activities in the district. It is noted that the salary costs do not appear excessive, despite the noncompliance.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-15

Allowable Costs (continued)

Recommendation: Head Start employees are School System employees and should be paid as such in accordance with the Board approved salary schedule.

*Management's
Response:*

The Franklin Parish Head Start did use the Franklin Parish School Board salary schedule as base pay for employees. However, instead of step increases, Head Start employees are required to receive COLA Funds from the federal government each year. Sales tax was not included in the original budget for this program. When estimating the budget for the 2005/2006 school year, plans are being made for funds to be set aside in an amount equal to support personnel share of the sales tax supplement, if funds are available and if approved by Regional Office.

84.352A

School Renovation Grant

2004-16

Davis Bacon

Criteria: Wages paid to laborers and mechanics working on construction contracts must be paid prevailing wage rates as set forth by the U.S. Department of Labor. It is the responsibility of the grant recipient to monitor compliance by receiving and reviewing weekly payrolls that are required to be submitted from the contractors.

Condition: Contractor payrolls were not submitted to the Board and thus no monitoring occurred.

Questioned Costs: Undetermined

Effect: The School Board is non-compliant with this administrative requirement of the grant.

Recommendation: The School Board, or its contracted party, should monitor Davis Bacon compliance as required by federal regulations.

*Management's
Response:*

To be addressed if any future grants warrant.

2004-17

Suspension and Debarment

Criteria: Contracts in excess of \$100,000 or greater must contain a certification that the contractor has not been suspended or debarred from receiving contracts involving federal funds.

Condition: The School Board's contract with the contractor for the Winnsboro Elementary School Renovation project did not contain the required certification.

Questioned Costs: Undetermined

Effect: The School Board could be contracting with ineligible parties.

FRANKLIN PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

2004-17

Suspension and Debarment (continued)

Recommendation: The School Board should comply with the federal regulations regarding contracting to ensure that the parties are not prohibited from receiving contracts involving federal funds. Effective November 2003, grantees must actively search the GSA website at www.arnet.gov/epl to determine if the contractor is listed on the suspended or debarred party listing.

*Management's
Response:*

To be addressed if any future grants warrant.

84.010

10,555,553,569

84.367

Title I

Child Nutrition Cluster

Title II

84.318

84.027

84.350

Education Through Technology

Special Education

Rural Education

2004-18

Material Weaknesses in Internal Controls over Financial Reporting

Material weaknesses in internal controls over financial reporting are reported as findings related to the financial statement audit as items 2004-1 and 2004-2 under section B of this report. Those internal control weaknesses also affected the School Board's ability to comply with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* for allowable costs, cash management and reporting.

FRANKLIN PARISH SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Reference # and Title: 03-01

Incomplete Accounting for Capital Assets

Condition: The Franklin Parish School Board has not fully completed their requirements with the provisions of GASB 34 regarding an implementation of accounting for capital assets. Current requirements are that the School Board have a complete accounting for capital assets.

Recommendation: The School Board should assign an employee to oversee the requirements regarding the capital assets under GASB 34.

Corrective Action: *The School Board has compiled the capital asset records as required by GASB 34.*

Finding Reference # and Title: 03-02

Under-Collateralized Funds

Condition: The Franklin Parish School Board has under-collateralized funds at one financial institution.

Recommendation: The School Board should request monthly pledged securities reports from all banks. These should be compared to cash on hand at each respective bank. If it is determined that some funds are not adequately collateralized, additional securities should be pledged.

Corrective Action: *All cash in the financial institutions has been adequately collateralized in accordance with state law.*

Finding Reference # and Title: 03-03

Prior Year Adjusting Entries Not Recorded

Condition: The Franklin Parish School Board did not record the year-end adjusting entries from the prior year audit.

Recommendation: The School Board should record and post all year-end adjusting entries from the prior year audit. These will make the School Board's internal financial statements better reflect the financial position.

Corrective Action: *The School Board has posted all prior audit entries, however, that posting was not performed until October, 2004. Internal financial statements issued prior to that time would not have reflected those journal entries, and as such, may not have accurately reflected the financial position of the school board. The current business manager recognizes the need to post the entries from the current year audit in a timely manner.*

FRANKLIN PARISH SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Reference # and Title: 03-04

Penalties and Interest Paid on Payroll Taxes

Condition: The Franklin Parish School Board is consistently assessed penalties and interest by the Internal Revenue Service for not meeting payroll tax deposit requirements on a timely basis.

Recommendation: The School Board should send the payroll clerk to continuing education so that she is up to date on requirements for payroll taxes. The business manager should also see that these payroll tax requirements are met on a timely basis.

Corrective Action: *The business manager now asks the payroll clerk after each payroll run if the tax deposit has been made. It is now done online instead of being faxed to the bank. The business manager follows up by checking the bank account on-line to be sure that the draft to the payroll account has been made.*

Finding Reference # and Title: 03-05

Disbursement of certain grant funds not made for related expenses on a timely basis

Condition: The Franklin Parish School Board did not disburse certain grant funds for their related expenses in a timely manner.

Recommendation: The School Board should pay the expenses related to grants in a timely manner after the grant is received.

Corrective Action: *The aforementioned condition still exists and is reported as a finding in the current year's findings and questioned costs. See corrective action plan for current year findings.*

Finding Reference # and Title: 03-06

Large unfavorable variances among budgeted items

Condition: The Franklin Parish School Board has not fully completed their requirements with provisions of R.S. 39:1310 regarding budgetary authority and control. Current requirements are that the School Board stay within 5% of its budgeted to actual expenditures. The School Board did not monitor the budget during the year.

Recommendation: Budget to actual expenditures should be monitored during the year and the budget should be amended if necessary.

Corrective Action: *Although the instances of unfavorable variances appear to have diminished, the school board is again in violation of the R.S. 39:1310 due its negative fund balance position. See finding under current year findings and questioned costs.*

FRANKLIN PARISH SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Reference # and Title: 03-07

Employee charging time to School Board
activities and Head Start activities

Condition: The Franklin Parish School Board was paying the director of Head Start while he was charging the same time to the Head Start Program.

Recommendation: The School Board should request that the employee reimburse the Head Start Program for the hours he was performing School Board activity while being paid by Head Start.

Corrective Action: *The School Board has received reimbursement for the aforementioned overpayment. The Head Start director has implemented steps to more closely monitor the time charged to Head Start by the employee in question.*

Finding Reference # and Title: 03-08

School Board used excess MFP money, earmarked for
certified teacher raises to pay employees not qualified
for the raises. Not all earmarked money used

Condition: The Franklin Parish School Board was required to give pay raises to full-time certified staff. This pay raise was mandated by the Department of Education to be paid from MFP funding. The School Board was to pay out \$177,924 in pay raises to the qualified recipients. The School Board only paid out \$172,150, \$5,774 less than required. A portion of these raises was paid to nonqualified recipients.

Recommendation: The School Board should review the policies and procedures relating to these pay raises. The School Board should also review these pay raises in the future to ensure that they are disbursed in accordance with the requirements of the Department of Education.

Corrective Action: *The School Board once again failed to provide all earmarked MFP money to employees as was intended by the Department of Education. A liability of approximately \$194,236 has been accrued in the general fund representing the gross pay owed to the employees plus related benefits.*

Finding Reference # and Title: 03-09

School Board mishandled lost checks

Condition: The Franklin Parish School Board issued three checks to Mrs. Louise Johnson which were lost. These checks were reissued, however, the original checks were not voided and a stop payment was not placed on them.

Recommendation: The School Board should have a policy in place to account for all reissued checks. The original checks should be voided on the School Board books and either the original check be collected and clearly marked "void" or, if the original check cannot be obtained because it is lost, a stop payment should be placed on the check.

Corrective Action: *When checks are lost – a stop payment is made at the bank, the check is voided in the system and someone will sign the stop pay at the bank.*

FRANKLIN PARISH SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Reference # and Title: 03-10

Late filing of audit reports with Legislative Auditor

Condition: The Franklin Parish School Board has not fully completed their requirements with the provisions of R.S. 24:513 regarding the timing of report filing with the Legislative Auditor. Current requirements are that the reports be filed with the Legislative Auditor within six months of the Board's year end.

Recommendation: The School Board should work with their independent auditor to ensure the reporting of their financial information is done in a timely manner.

Corrective Action: *The School Board has again failed to fully comply with R.S. 24:513 by filing the audit report beyond the six month deadline.*

FRANKLIN PARISH SCHOOL SYSTEM
PERFORMANCE AND STATISTICAL DATA



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Page 1 of 6

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

To the Members of the Franklin Parish 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 Franklin Parish 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 Franklin Parish School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

Procedure #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.

Results of Procedure # 1:

In performing the testing on the sample of expenditures/revenues, we noted no transactions that were inappropriately classified or were recorded at an inappropriate amount.

Education Levels of Public School Staff (Schedule 2)

Procedure # 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.

Results of Procedure # 2:

No differences were noted between the number of full-time classroom teachers per schedule 4 and schedule 2.

Procedure # 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.

Results of Procedure # 3

No differences were noted between the number of principals and assistant principals per schedule 4 and schedule 2.

Procedure # 4

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

Results of Procedure # 4:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule. No discrepancies between education levels per the listing and the individual personnel files were noted.

Number and Type of Public Schools (Schedule 3)

Procedure # 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 One application.

Results of Procedure # 5:

We noted no discrepancies between the total number of schools as listed in the Title One Program application and the list supporting the schools represented in the schedule. However, P&N noted that the schools were not categorized correctly per the instructions for completing Schedule 3. The type and number and schools should be as follows:

Elementary	6
Middle/Jr. High	2
Secondary	2
Combination	0
Total	10

P&N also noted that there were discrepancies between the type of schools reported on Schedule 3 and those reported on Schedule 6.

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

Procedure #6

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

Results of Procedure # 6:

In our sample of 25 employees, no discrepancies existed between the aforementioned listing and the schedule. No discrepancies between experience levels per the listing and the individual personnel files were noted.

Public Staff Data (Schedule 5)

Procedure # 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 equivalency as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file to determine if the individual's salary, extra compensation, and full-time equivalency were properly included on the schedule.

Results of Procedure # 7:

In our sample of 25 employees, P&N noted that several discrepancies existed between the aforementioned listing and the schedule. The exceptions are as follows:



Results of Procedure # 7 (cont.):

Differences noted between Salary w/o extra comp per the FPSB system and Schedule 5:

<u>Exception #</u>	<u>Amount</u>
1	\$1,862.00
2	1,377.00
3	61.00
4	(6,892.70)
5	1,505.00
6	(1,885.00)
7	(1,807.00)
8	(2,861.00)

Differences noted between Salary with extra comp per the FPSB system and Schedule 5:

<u>Exception #</u>	<u>Amount</u>
1	296.00
2	(1,236.50)
3	61.00
4	2,845.97
5	120.00
6	625.00
7	197.89

P&N also noted that the FTE calculation reported on Schedule was 334.02 and 299.58. The mathematically correct numbers and the amounts actually used in the calculation are 340 and 305, respectively.

Procedure # 8

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

Results of Procedure # 8:

We noted no differences between the averages reported on the schedule and our calculations.



Class Size Characteristics (Schedule 6)

Procedure # 9

We requested a list of classes by class size in order to reconcile that list to the total classes for each category as reported on the schedule. However, such a comprehensive list of each class conducted throughout the school system is not maintained by the school system and as a result, proved impractical to obtain. In lieu of the list, we obtained the "Class Size Data Reports" which is a report produced as part of the ASR, for each school through-out the school system, and 4 schools were chosen at random. For those 4 schools selected, the teacher reports, containing each teacher's classes and class size were obtained from the respective school. From the teacher reports, 10 classes were selected for testing.

Results of Procedure # 9

Of the 10 classes tested, there were discrepancies in 5 classes:

	Class size per Teacher reports (ultimately <u>included in Schedule 6)</u>	Class size per <u>roll books</u>
Class discrepancy 1	19	23
Class discrepancy 2	15	18
Class discrepancy 3	19	20
Class discrepancy 4	23	18
Class discrepancy 5	9	14

Additionally, P&N noted that the class counts per school that were used to complete the total class counts on Schedule 6 per the client were different than those counted by P&N. The Class Size Range for Elementary Activity Classes, 21-26, should be 11 not 13. Finally, P&N noted that there were discrepancies between the type of schools reported on Schedule 3 and those reported on Schedule 6.

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

Procedure # 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 Franklin Parish School Board.

Results of Procedure # 10:

No differences were noted.



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

Procedure # 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 Franklin Parish School Board.

Results of Procedure #11

No differences were noted.

The Iowa Tests (Schedule 9)

Procedure # 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 Franklin Parish School Board.

Results of Procedure # 12

No differences were noted.

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 Franklin Parish 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.

Postlethwaite, Netterville

Baton Rouge, Louisiana

December 20, 2004



FRANKLIN PARISH SCHOOL BOARD
WINNSBORO, LOUISIANA

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

As of and for the Year Ended June 30, 2004

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

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

Schedule 2 - Education Levels of Public School Staff

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

Schedule 3 - Number and Type of Public Schools

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

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

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

Schedule 5 - Public School Staff Data

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

Schedule 6 - Class Size Characteristics

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

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

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

Schedule 8 - The Graduation Exit Exam

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

Schedule 9 - The IOWA Tests

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

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:	
Teacher and Student Interaction Activities:	
Classroom Teacher Salaries	9,561,977
Other Instructional Staff Activities	489,899
Employee Benefits	3,507,718
Purchased Professional and Technical Services	51,760
Instructional Materials and Supplies	542,685
Instructional Equipment	153,875
Total Teacher and Student Interaction Activities	14,307,914
Other Instructional Activities	60,374
Pupil Support Activities	473,901
Less: Equipment for Pupil Support Activities	-
Net Pupil Support Activities	473,901
Instructional Staff Services	457,523
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	457,523
Total General Fund Instructional Expenditures	15,299,712
Total General Fund Equipment Expenditures	153,875
<u>Certain Local Revenue Sources</u>	
Local Taxation Revenue:	
Constitutional Ad Valorem Taxes	211,615
Renewable Ad Valorem Tax	214,099
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	44,877
Sales and Use Taxes	2,803,729
Total Local Taxation Revenue	3,274,320
Local Earnings on Investment in Real Property:	
Earnings from 18th Section Property	2,505
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	2,505
State Revenue in Lieu of Taxes:	
Revenue Sharing - Constitutional Tax	-
Revenue Sharing - Other Taxes	131
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	131
Nonpublic Textbook Revenue	6,440
Nonpublic Transportation Revenue	-

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0.00%	10	32.26%	0	0.00%	0	0
Bachelor's Degree	194	64.88%	12	38.71%	0	0.00%	0	0
Master's Degree	50	16.72%	9	29.03%	7	30.43%	0	0
Master's Degree + 30	49	16.39%	0	0.00%	13	56.52%	0	0
Specialist in Education	6	2.01%	0	0.00%	3	13.04%	0	0
Ph. D. or Ed. D.	0	0.00%	0	0.00%	0	0.00%	0	0
Total	299	100.00%	31	100.00%	23	100.00%	0	0

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana**Number and Type of Public Schools**
For the Year Ended June 30, 2004

Type	Number
Elementary	2
Middle/Jr. High	1
Secondary	2
Combination	5
Total	10

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

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana**Experience of Public Principals and Full-time Classroom Teachers**
As of October 1, 2003

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	0	1	3	2	7	13
Principals	0	0	0	1	1	3	5	10
Classroom Teachers	39	41	62	32	48	23	85	330
Total	39	41	62	34	52	28	97	353

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	30,954.96	30,619.31
Average Classroom Teachers' Salary Excluding Extra Compensation	29,535.31	29,206.84
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	334.02	299.58

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

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

Class Size Characteristics
As of October 1, 2003

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	90%	202	10%	22	0%	0	0%	0
Elementary Activity Classes	66%	33	26%	13	8%	4	0%	0
Middle/Jr. High	70%	318	30%	134	0%	1	0%	0
Middle/Jr. High Activity Classes	54%	53	15%	15	26%	25	5%	5
High	77%	242	23%	73	0%	0	0%	0
High Activity Classes	73%	51	20%	14	7%	5	0%	0
Combination	0%	0	0%	0	0%	0	0%	0
Combination Activity Classes	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.

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

District Achievement Level Results	English Language Arts						Mathematics					
	2004		2003		2002		2004		2003		2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	2	1%	3	1%	2	1%	1	0%	5	2%	3	1%
Mastery	26	8%	20	6%	36	10%	26	8%	23	7%	26	8%
Basic	107	33%	102	33%	117	34%	107	33%	109	35%	91	27%
Approaching Basic	99	30%	102	33%	107	31%	83	25%	77	25%	82	24%
Unsatisfactory	95	28%	82	27%	82	24%	112	34%	95	31%	141	41%
Total	329	100%	309	100%	344	100%	329	100%	309	100%	343	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 4												
Advanced	2	1%	5	2%	7	2%	4	1%	2	2%	1	0%
Mastery	24	7%	20	6%	25	7%	27	8%	24	8%	23	7%
Basic	93	28%	81	26%	115	34%	98	30%	100	32%	116	34%
Approaching Basic	134	41%	123	40%	119	35%	90	27%	90	29%	85	25%
Unsatisfactory	76	23%	80	26%	77	22%	109	33%	93	30%	118	34%
Total	329	100%	309	100%	343	100%	328	100%	309	100%	343	100%

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

District Achievement Level Results	English Language Arts						Mathematics					
	2004		2003		2002		2004		2003		2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	1	0%	2	1%	4	1%	5	2%	4	1%	4	1%
Mastery	19	7%	30	12%	27	9%	11	4%	5	2%	9	3%
Basic	79	30%	92	38%	77	26%	116	43%	104	37%	99	31%
Approaching Basic	125	48%	82	34%	145	48%	71	26%	84	30%	99	31%
Unsatisfactory	36	15%	38	15%	47	16%	69	25%	82	30%	109	34%
Total	260	100%	244	100%	300	100%	272	100%	279	100%	320	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	2	1%	1	0%	0	0%	4	2%	0	0%	1	0%
Mastery	40	16%	39	16%	31	11%	22	9%	14	6%	18	6%
Basic	82	32%	76	32%	102	35%	94	37%	102	43%	112	38%
Approaching Basic	82	32%	84	35%	91	31%	82	32%	74	31%	89	31%
Unsatisfactory	47	19%	39	17%	67	23%	50	20%	49	20%	71	25%
Total	253	100%	239	100%	291	100%	252	100%	239	100%	291	100%

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

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

District Achievement Level Results	English Language Arts						Mathematics					
	2004		2003		2002		2004		2003		2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced	1	0%	0	0%	1	0%	11	4%	11	4%	7	3%
Mastery	25	11%	19	9%	25	12%	31	13%	28	11%	11	5%
Basic	89	39%	97	47%	83	39%	88	35%	80	33%	63	27%
Approaching Basic	67	29%	56	27%	67	31%	35	14%	43	17%	40	17%
Unsatisfactory	49	21%	35	17%	39	18%	83	34%	84	35%	114	48%
Total	231	100%	207	100%	215	100%	248	100%	246	100%	235	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 11												
Advanced	1	1%	2	1%	3	2%	0	0%	0	0%	1	1%
Mastery	19	11%	18	11%	26	14%	10	6%	16	9%	17	9%
Basic	75	44%	74	44%	71	38%	101	59%	78	46%	95	51%
Approaching Basic	53	30%	41	23%	51	26%	34	19%	47	28%	33	17%
Unsatisfactory	24	14%	35	21%	37	20%	27	16%	29	17%	41	22%
Total	172	100%	170	100%	188	100%	172	100%	170	100%	187	100%

FRANKLIN PARISH SCHOOL BOARD
Winnsboro, Louisiana

The IOWA Tests
For the Year Ended June 30, 2004

	Composite		
	2004	2003	2002
Test of Basic Skills (ITBS)			
Grade 3	46	48	41
Grade 5	44	48	40
Grade 6	44	38	41
Grade 7	45	44	40
Tests of Educational Development (ITED)			
Grade 9	45	40	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.

FRANKLIN PARISH SCHOOL BOARD

REPORT TO MANAGEMENT

JUNE 30, 2004



FRANKLIN PARISH SCHOOL BOARD

REPORT TO MANAGEMENT

JUNE 30, 2004





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December 20, 2004

Members of the Board and Management
Franklin Parish School Board
Winnsboro, Louisiana

In planning and performing our audit of the financial statements of the Franklin Parish School Board for the year ended June 30, 2004, we considered the School Board's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. We also considered its compliance with certain provisions of laws and regulations in order to properly perform the audit in accordance with governmental standards and not to provide an opinion on compliance with those provisions.

However, during our audit, we became aware of several matters that are opportunities for improving financial reporting and refining policies and procedures. Additionally, we found several matters that are immaterial instances of noncompliance that are required to be communicated under Government Auditing Standards. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 20, 2004, on the financial statements of the School Board.

A. Bank reconciliations

Condition: Many stale-dated outstanding checks (checks issued that have not cleared the bank) appear on the bank reconciliations of the following accounts: Master bank, payroll, school lunch, parish-wide maintenance and Title 11. The appearance of these items on the bank reconciliation impedes the reconciliation process, and can even provide an avenue for fraud.

Recommendation: The stale-dated outstanding checks should be removed from the bank reconciliation along with a corresponding journal entry to the general ledger. The school system should also consult its attorneys regarding compliance with the state's escheat laws.

**Management's
Response:**

We are currently in the process of researching old checks in old funds and voiding/reissuing as necessary. The school board attorney will be contacted regarding very old ones that are still questionable.

B. School Activity Funds

Condition: The School Board's policy requires that bank reconciliations be prepared monthly by the school secretary and the principal, and that a copy be forwarded to the Business Manager for review. We noted that the Business Manager was reviewing these accounts only sporadically.

Recommendation: We recommend that the School Board's policy be followed. School Accounts should be reviewed by the business manager or his/her designee on a monthly basis. Additionally, we recommend periodic audits of the disbursements be performed by central office personnel.

*Management's
Response:*

The schools are to send concurring reports of bank reconciliations, monthly reports, year to date reports, deposits, check registers monthly, beginning in January. Prior to this date, reports only consisted of a copy of the bank statement/reconciliation and a list of whatever each school was accustomed to sending. All schools were not consistent with the same reports. These will be reviewed, and the schools contacted if any questions arise. School audits are planned as soon as additional staffing is hired and trained.

C. Food Inventory

Condition: Currently, the School Board is not booking a monthly adjustment in the general ledger to adjust the inventory accounts to the counted totals on hand.

Recommendation: We recommend that the School Board make a monthly entry to adjust the general ledger accounts to the counted totals on hand.

*Management's
Response:*

Managers at each school perform physical counts. Adjustments to inventory are made on SFS-7A Inventory Used Form. These adjustments to inventory will be reflected in journal entries per school each month. Physical inventories are filed monthly on purchases and commodities in the schools.

D. Organizational Structure of Accounting Department\Business Office

Condition: Each fund or program of the School Board operates their own bookkeeper who reports to the program director, rather than to the business manager. This structure does not foster an environment of strong accounting controls, as the Business Manager (chief accountant) has limited ability to review the bookkeeper's work and provide directives.

Recommendation: We recommend that each bookkeepers of each program be made a part of the accounting department and be placed under the business manager's chain of authority. Such a structure could facilitate stronger control over the accounting in those programs as well as foster synergy of the accounting process for the district as whole.

*Management's
Response:*

It is recognized that the Accounting Department must undergo restructuring. It is an ongoing process at present, and is being addressed and duties assigned as necessary.



E. Computer System Processes and Security

1. Data Back-up Storage

Condition: Back-up data is stored at two locations – one on site at the central office and a second at the residence of a School Board employee.

Recommendation: We recommend storing the second backup copy in a more secure location, such as a safety deposit box or locked in a safe at one of the schools.

Management's Response: The tapes will be stored at an off site facility other than a personal home.

2. Security

a. Condition: The room that houses the servers is left unlocked and is easily accessible by any employees.

Recommendation: We recommend that this room remain locked at all times and possession of keys be restricted only to IT support personnel.

Management's Response: The door knob will be replaced with one that can only be opened with a key. Keys will be numbered and assigned. Spare keys will be "checked out" as needed for in-services because the laptops are stored in the room too.

b. Condition: Some workstations are using Microsoft Windows 98. There are two concerns with a Windows 98 operating system. The first concern is that the operating system is no longer supported by Microsoft. The second concern is that Windows 98 is considered to be an un-secure operating system. Passwords are easily obtained for both workstation and network login. This is a potential security risk if the workstations are connected to the accounting system.

Recommendation: The Windows 98 operating system should be scheduled to be replaced and or upgraded on all workstations that are using this platform, especially if they are used to connect to the accounting records.

Management's Response: When new updated computers can be purchased, the newer windows version will be installed.

c. Condition: Franklin Parish School Board has no formal disaster recovery plan.

Recommendation: We recommend the development of a formal disaster recovery plan.

Management's Response: It is recognized that a disaster plan does need to be in place.



d. Condition: The file access logs are not reviewed regularly.

Recommendation: We recommend that file access logs be reviewed on a regular basis and unusual items investigated.

*Management's
Response:*

There are exceptions reports to all contracted monthly payrolls for any changes in payroll from one month to another. Other reports are automatically generated on the general ledger side. For instance, when closing a month, a report automatically generates to say what accounts are still open. If a fund is closed that is out of balance, a report is automatically generated that says it is out of balance. Journal entries show totals at the end of each and tells if it is in balance or not.

e. Condition: Currently, passwords are not required to be changed on a regular basis.

Recommendation: We recommend establishing a policy to require all users to change their password on a regular basis.

*Management's
Response:*

Recommendation to change passwords regularly will be considered.

3. Accounting functions

Condition: Currently, one sided journal entries can be posted to the general ledger.

Recommendation: The software should be programmed so that such one sided entries are prohibited.

*Management's
Response:*

The access to posting anything has now been severely limited. Currently the Business Manager is the only person who can post. Ms. Richardson can only post the Head Start Program. Before posting, the Bus. Mgr. prints out the j.e.'s to be posted to make sure they are balanced before posting.

F. Payroll

1. Separation of duties

Condition: The same individual performs the duties of distributing paychecks, setting up and deleting employees into/from the payroll system and reconciling the payroll account. This structure does not allow for a proper check and balance and could potentially lead to paychecks being generated for non-existent employees.

Recommendation: Structure the computer system security so that the human resources department makes the initial set-up of employees into the payroll system.

*Management's
Response:*

The separation of duties will be addressed.



2. Direct Deposit

Condition: The process for direct-depositing employee checks involves the payroll clerk physically taking paycheck batches to the various banks and transacting a deposit. This process raises several concerns:

- A. The time requirements of such a process by the payroll clerk.
- B. Physical access to checks and the ability to deposit these checks, combined with the lack of segregation of duties (see prior comment) could potentially present an avenue for payroll fraud.

Recommendation: We recommend that the process for direct deposit be automated. The deposit to the employee bank accounts should be accomplished through a single transaction with the bank, via wire or check, representing the deposit for all employees banking at that institution. Computer processes should be updated to allow for such a process.

Management's

Response: We are considering utilizing the ACH transfer process as our means for direct deposit.

G. Dormant Accounting Funds

Condition: Several dormant funds remain open despite the lack of activity for several years. Such open funds can provide a vehicle for inaccurate financial reporting and even fraud.

Recommendation: We recommend that all inactive funds be closed and deactivated in the accounting system to prevent transaction posting to those funds.

Management's

Response: We are in the process of updating all dormant accounts. Funds that are old and have not been used will be researched for any activity. These are in the process of being looked at. These funds must be cleaned up and dormant for two years before they can be used again. Current auditors will be contacted before any journal entries are made to clean up these accounts. This, once again is slowed due to lack of staffing.

H. Capital Asset Records

Condition: The School System's capital asset records appear to be lacking certain assets. We noticed that certain automobiles, busses, and instructional software are excluded. Such items would be in excess of the school system's capitalization threshold and thus should be included.

Recommendation: The accounting staff should include all such items on the capital asset records. An inventory should be conducted of all software owned by the School System.



*Management's
Response:*

Staffing for this job has been sporadic. Currently someone has again been assigned to this task. Efforts will be made to continue to enter fixed assets as they are purchased, moved or recorded as found lacking.

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

Sincerely,

Postlethwaite & Netterville

