
CITY OF BAKER SCHOOL SYSTEM

BAKER, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

CITY OF BAKER SCHOOL SYSTEM

BAKER, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

CITY OF BAKER SCHOOL SYSTEM

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CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

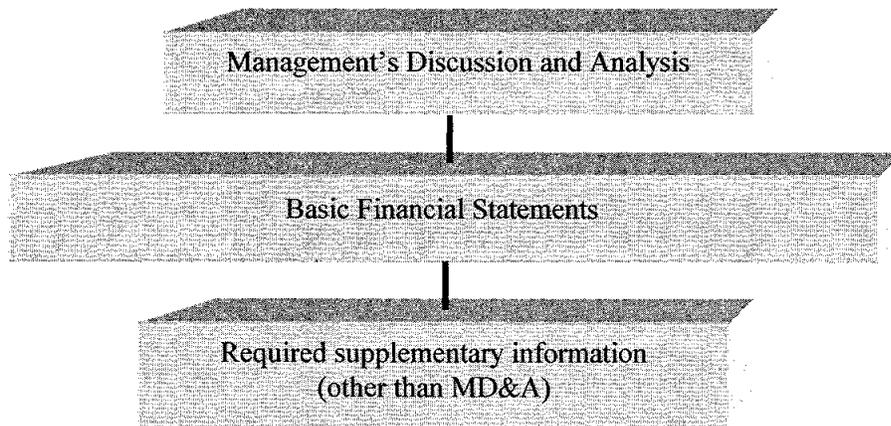
The Management's Discussion and Analysis of the City of Baker School System's (the School System) financial performance presents a narrative overview and analysis of City of Baker School System's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available).

FINANCIAL HIGHLIGHTS

- ★ The City of Baker School System's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of fiscal year 2017 by \$12,502,812.
- ★ At June 30, 2017, the Net Deficit in the Statement of Net Position was mainly caused by the Net Pension Liability and the Net Other Post-Employment Benefit Obligation that totaled \$16,564,831 and \$4,674,352, respectively.
- ★ Revenues exceeded expenses by \$1,515,313 on a full accrual basis for the 2017 fiscal year, representing a positive increase in the long-term financial condition of the School System.
- ★ Sales and use tax and Minimum Foundation Program (MFP) revenues increased over the prior year by \$447,135 and \$299,955, respectively, in comparison to fiscal year 2016.
- ★ Ad valorem tax revenue decreased by \$125,976 in comparison to fiscal year 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments established by Governmental Accounting Standards Board.



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 System's finances, in a manner similar to a private sector business.

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 but unused sick leave).

Both government-wide financial statements present functions of the School System that are principally supported by taxes and intergovernmental revenues (governmental activities). The School System 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 System include regular and special education programs, support services, administration, maintenance, student transportation, and school food services. The School System 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 a grouping of related accounts that are used to maintain control over the resources that have been segregated for specific activities or objectives. The School System, 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 System 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 System'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 System maintains several 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, Flood Recovery, and Title I, which are the School System's major funds. The remaining funds are combined into a single, aggregated presentation under the label of other non-major governmental funds. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

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 the resources of those funds are not available to support the School System's programs. The sole fiduciary fund of the School System is the School Activity Fund, which contains monies belonging to the schools, their students, and clubs and other activities.

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

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.

FINANCIAL ANALYSIS OF THE ENTITY

Statements of Net Position
as of June 30, 2017 and 2016

	<u>2017</u>	<u>(as restated)</u> <u>2016</u>
Assets		
Cash and cash equivalents	\$ 2,808,907	\$ 654,399
Receivables	2,087,464	1,520,479
Inventory	21,850	15,492
Other assets	15,913	13,498
Capital assets, net of accumulated depreciation	<u>7,996,580</u>	<u>8,882,407</u>
Total Assets	<u>12,930,714</u>	<u>11,086,275</u>
Deferred Outflows of Resources	<u>4,736,188</u>	<u>3,372,050</u>
Liabilities		
Accounts payable	530,326	192,394
Salaries payable and accrued expenses	670,722	808,318
Long-term liabilities		
Due within one year	127,083	48,555
Due in more than one year	1,636,897	444,494
Other post-employment benefit obligation	4,674,352	4,063,158
Net pension liability	<u>16,564,831</u>	<u>20,380,645</u>
Total Liabilities	<u>24,204,211</u>	<u>25,937,564</u>
Deferred Inflows of Resources	<u>5,965,503</u>	<u>2,538,886</u>
Net Position		
Net investment in capital assets	7,996,580	8,882,407
Restricted for flood recovery	1,085,532	-
Unrestricted	<u>(21,584,924)</u>	<u>(22,900,532)</u>
Total Net Position	<u>\$ (12,502,812)</u>	<u>\$ (14,018,125)</u>

The net position of the School System was restated for the year ended June 30, 2016 for an overstatement of depreciation expense totaling \$41,342 and an overstatement of salaries expense totaling \$347,110. This resulted in a positive net effect of \$388,452 on net position.

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY (continued)

- Cash and cash equivalents increased by \$2,154,508 over the prior fiscal year and overall total assets increased by \$1,844,439 over the prior year due to the School System receiving bond proceeds totaling \$1,200,000 during the fiscal year to assist in flood recovery efforts as such the cash maintained in the Flood Recovery Fund totaling \$1,615,295 is restricted and can only be used toward those efforts.
- Capital assets (reported net of accumulated depreciation), which accounts for 62% of the total assets of the School System, decreased by \$885,827, net of accumulated depreciation, due to impairments recognized during the year as a result of impacts of the August 2016 flood.
- Accounts payable increased by approximately \$338,000 due to amounts owed at year-end to several vendors for flood remediation at Baker High School.
- Salaries payable and accrued expenses experienced a decrease of approximately \$138,000 or 17%. The main financial goals for the current fiscal year were to balance the budget and rebuild the fund balance. Part of these efforts was to reduce the salaries and benefits expenditures in the 2016-2017 fiscal year in comparison to the prior year, which included year end accruals.
- Unrestricted net position increased by approximately \$1,316,000, or 5.7% as a result of the reduction in spending and salaries and related benefits offset by capital asset impairments recognized from the August 2016 flood during the year.

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY (continued)

Statements of Revenues and Expenses
For the Years Ended June 30, 2017 and 2016

	2017	(as restated) 2016
Revenues		
Program revenues		
Charges for services	\$ 17,191	\$ 48,927
Operating grants	6,772,941	3,013,268
General revenues		
Taxes		
Ad Valorem taxes	1,901,275	2,027,251
Sales and use taxes	3,766,543	3,319,408
State revenue sharing	47,994	54,859
Minimum Foundation Program	10,347,771	10,047,816
Other grants	178,159	52,423
Interest and investment earnings	1,882	1,562
Miscellaneous	130,477	101,204
	<u>23,164,233</u>	<u>18,666,718</u>
Expenses		
Regular education programs	5,606,040	5,131,932
Special education programs	860,806	932,347
Other education programs	1,727,342	1,864,510
Pupil support services	762,630	894,296
Instructional staff services	704,686	851,612
General administrative services	817,096	900,162
School administrative services	1,168,522	1,305,446
Business and central services	614,742	799,922
Plant operation and maintenance	2,003,976	1,777,242
Transportation	579,253	500,156
Food services	987,943	1,124,404
Charter school appropriation	1,243,044	1,248,313
Facilities acquisition and construction	4,458,372	37,043
Debt service	114,468	-
	<u>21,648,920</u>	<u>17,367,385</u>
Change in Net Position	<u>\$ 1,515,313</u>	<u>\$ 1,299,333</u>

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY (continued)

Revenues

- Operating grant revenue, which accounts for 29.3% of total revenues, increased by approximately \$3,760,000, due mainly to revenues recognized from the Federal Emergency Management Assistance (FEMA) disaster grant received during the fiscal year.
- Local tax revenues consist of sales and property taxes and are approximately 24.5% of total revenue. There have been very minimal increases in these tax resources over the past several fiscal years as the economy remained flat. However, the School System did see an increase in sales tax revenues in the current fiscal year as a result of the August 2016 flood.
- Minimum Foundation Program (MFP) revenue increased by \$299,955, or 3.0% in comparison to fiscal 2016 as a result of increased enrollment.

Expenses

- Overall expenses increased by approximately \$4,300,000 or 24.65% from the prior year due to the necessary remediation costs for Baker High School due to the August 2016 flood and increases in instructional programs and offset by a reduction in support services costs, food services costs and appropriations for charter schools.

ANALYSIS OF GENERAL FUND

The majority of the School System's financial activity occurs in the General Fund. In the prior year, the General Fund had a fund balance of approximately \$997,000 at June 30, 2016. As of June 30, 2017, the General Fund increased by approximately \$1,596,000 resulting in a fund balance of approximately \$2,593,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017, the City of Baker School System had \$7,996,580 invested in a broad range of capital assets, including land, building, and equipment. (See table below.) This amount represents a net decrease (including additions and deductions) of \$844,496, from last year due to impairments recognized as a result of the August 2016 flood and very few capitalized additions. There were no new capital projects that started in the fiscal year; however, a significant amount of expenditures was incurred due to remediation required on the Baker High facility as a result of the August 2016 flood and not capitalized.

Capital Assets at June 30,
(Net of Accumulated Depreciation)

	2017	2016
Land	\$ 149,536	\$ 149,536
Work in Process	-	-
Buildings and Improvements	7,703,694	8,608,575
Furniture, Fixtures & Equipment	143,350	82,965
Totals	\$ 7,996,580	\$ 8,841,076

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Long-Term Debt

The School System's long-term debt consists of bonds payable, the liability for compensated absences, claims and judgments, an obligation for postemployment benefits (OPEB), and a net pension liability resulting from the implementation of GASB Standard No. 68 (See table below.)

Long-Term Debt at June 30,

	2017	2016
Bonds payable	\$ 1,200,000	\$ -
Claims and judgements	11,872	7,500
Compensated absences	552,108	485,549
Net pension liability	16,564,831	20,380,645
Net other postemployment benefit obligation	4,674,352	4,063,158
Totals	\$ 23,003,163	\$ 24,936,852

In May 2017, the School System issued \$1,200,000 in revenue bonds to finance the demolition and reconstruction of Baker High School as a result of flood damage. The OPEB obligation increased due to the accrued cost of retirement health benefits exceeding the amounts paid for those benefits. The net pension liability decreased due to various actuarial assumptions used in calculating the respective pension plans' net pension liability and the methodology used in allocating that liability to each respective employer.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Budget amendments were adopted during the year ended June 30, 2017 for the General Fund to better reflect actual operations as they evolved through the fiscal year. Amendments included increases in projected sales and use tax revenues and projected MFP revenues due to increasing enrollment and decreased expenditures due to the reduction in staffing positions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

For fiscal year 2017-2018, the School System anticipates a net increase to its General Fund despite anticipated increases to expenditures. The School System decreased expenditures in fiscal year 2016-2017 from the prior year and, thus, has determined it can sustain increases to instructional expenditures for the subsequent year.

The City of Baker School System's elected and appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Ad valorem and sales tax revenues are expected to decrease slightly.
- MFP revenue is projected to increase based on an anticipated increase in student enrollment.

CITY OF BAKER SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

CONTACTING THE CITY OF BAKER SCHOOL SYSTEM'S MANAGEMENT

This financial report is designed to provide a general overview of the School System'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 Dr. Herman Brister, Superintendent, City of Baker School System, P.O. Box 680, Baker, LA 70704-0680, 225-774-5795.

INDEPENDENT AUDITORS' REPORT

The Members of the
City of Baker School System
Baker, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Baker School System (School System) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Baker School System as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through viii, the Budgetary Comparison Schedules on pages 38 through 42, the Schedule of Funding Progress and Schedule of Employer Contributions for Other Post-Employment Benefit Plans on page 43, the Schedule of Proportionate Share of Net Pension Liability on page 44, the Schedule of Employer Contributions on page 45, and the related supplementary notes presented on page 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baker School System's basic financial statements. The accompanying supplementary information consisting of the Combining Non-Major Fund Financial Statements, the Schedule of Compensation Paid to Board Members, and the Schedule of Compensation, Benefits, and Other Payments to the Superintendent, on pages 47 through 51, 52, and 53, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards on pages 59 through 60 is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Combining Non-Major Fund Financial Statements, the Schedule of Compensation Paid to Board Members, the Schedule of Compensation, Benefits, and Other Payments to the Superintendent, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the City of Baker School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Baker School System's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 29, 2018

BASIC FINANCIAL STATEMENTS

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$	2,808,907
Receivables		
Sales tax		554,567
Due from other governments		1,533,312
Inventory		21,850
Other assets		15,498
Capital assets, net of accumulated depreciation		7,996,580
TOTAL ASSETS		12,930,714

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension contributions		2,248,620
Deferred amounts related to net pension liability		2,487,568
TOTAL DEFERRED OUTFLOWS OF RESOURCES		4,736,188

LIABILITIES

Accounts payable		530,326
Salaries payable and accrued expenses		670,722
Long-term liabilities		
Due within one year		127,083
Due in more than one year		1,636,897
Other post-employment benefit obligation		4,674,352
Net pension liability		16,564,831
TOTAL LIABILITIES		24,204,211

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to net pension liability		5,965,503
TOTAL DEFERRED INFLOWS OF RESOURCES		5,965,503

NET POSITION

Net investment in capital assets		7,996,580
Restricted for flood recovery		1,085,532
Unrestricted		(21,584,924)
TOTAL NET POSITION	\$	(12,502,812)

The accompanying notes are an integral part of this statement.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction:				
Regular education programs	\$ 5,606,040	\$ 2,647	\$ 42,414	\$ (5,560,979)
Special education programs	860,806	-	407,402	(453,404)
Other education programs	1,727,342	-	890,640	(836,702)
Support Services:				
Pupil support services	762,630	-	-	(762,630)
Instructional staff services	704,686	-	-	(704,686)
General administration services	817,096	9,638	321,472	(485,986)
School administration services	1,168,522	-	-	(1,168,522)
Business and central services	614,742	-	774	(613,968)
Plant operation and maintenance	2,003,976	-	150,304	(1,853,672)
Transportation	579,253	-	33,029	(546,224)
Food services	987,943	4,906	944,743	(38,294)
Appropriation:				
Charter Schools	1,243,044	-	-	(1,243,044)
Facilities Acquisition and Construction	4,458,372	-	3,982,163	(476,209)
Debt Service:				
Interest, bank fees and debt issuance costs	114,468	-	-	(114,468)
Total Governmental Activities	<u>\$ 21,648,920</u>	<u>\$ 17,191</u>	<u>\$ 6,772,941</u>	<u>(14,858,788)</u>
General Revenues				
Taxes:				
Ad valorem taxes				1,901,275
Sales and use taxes				3,766,543
State Revenue Sharing				47,994
Grants and contributions not restricted to specific purposes:				
Minimum foundation program				10,347,771
Other grants				178,159
Interest and investment earnings				1,882
Miscellaneous				130,477
			Total general revenues	<u>16,374,101</u>
Change in Net Position				1,515,313
Net Position - July 1, 2016, as restated				<u>(14,018,125)</u>
Net Position - June 30, 2017				<u>\$ (12,502,812)</u>

The accompanying notes are an integral part of this statement.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	Flood Recovery	Title I	Other Non-Major	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,169,874	\$ 1,615,295	\$ -	\$ 23,738	\$ 2,808,907
Receivables:					
Sales tax	554,567	-	-	-	554,567
Due from other governments	11,037	486,255	300,700	735,320	1,533,312
Due from other funds	1,655,497	-	-	-	1,655,497
Prepaid expenses	15,498	-	-	-	15,498
Inventory	-	-	-	21,850	21,850
	\$ 3,406,473	\$ 2,101,550	\$ 300,700	\$ 780,908	\$ 6,589,631
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 143,220	\$ 377,300	\$ 8,288	\$ 1,518	\$ 530,326
Salaries and benefits payable	670,722	-	-	-	670,722
Due to other funds	-	638,718	292,412	724,367	1,655,497
	813,942	1,016,018	300,700	725,885	2,856,545
Fund balances:					
Nonspendable	15,498	-	-	21,850	37,348
Spendable:					
Restricted for flood recovery	-	1,085,532	-	-	1,085,532
Assigned	-	-	-	33,173	33,173
Unassigned	2,577,033	-	-	-	2,577,033
	2,592,531	1,085,532	-	55,023	3,733,086
	\$ 3,406,473	\$ 2,101,550	\$ 300,700	\$ 780,908	\$ 6,589,631

The accompanying notes are an integral part of this statement.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances at June 30, 2017 - Governmental Funds		\$ 3,733,086
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Cost of capital assets at June 30, 2017	\$ 13,408,410	
Less: Accumulated Depreciation as of June 30, 2017	<u>(5,411,830)</u>	7,996,580
Long-term liabilities are not due and payable in the current period and therefore not reported in the governmental funds		
Bonds payable	\$ (1,200,000)	
Claims payable	(11,872)	
Compensated absences payable	(552,108)	
Net pension liability	(16,564,831)	
Net other post-employment benefit obligation	<u>(4,674,352)</u>	(23,003,163)
Deferred inflows and outflows of resources:		
Deferred outflow of resources - deferred pension contributions	\$ 2,248,620	
Deferred outflow of resources - related to net pension liability	2,487,568	
Deferred inflow of resources - related to net pension liability	<u>(5,965,503)</u>	<u>(1,229,315)</u>
Total net position at June 30, 2017 - Governmental Activities		<u>\$ (12,502,812)</u>

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Flood Recovery</u>	<u>Title I</u>	<u>Other Non-Major</u>	<u>Total</u>
<u>REVENUES</u>					
Local sources:					
Ad valorem taxes	\$ 1,901,275	\$ -	\$ -	\$ -	\$ 1,901,275
Sales and use taxes	3,766,543	-	-	-	3,766,543
Earnings on investments	1,882	-	-	-	1,882
Food sales	-	-	-	4,906	4,906
Other	23,668	-	-	-	23,668
State sources:					
Minimum foundation program (MFP)	10,334,467	-	-	13,304	10,347,771
Restricted grants-in-aid	100,399	-	-	140,408	240,807
Other	47,994	-	-	-	47,994
Federal grants	-	3,982,163	844,263	1,883,867	6,710,293
Erate	119,094	-	-	-	119,094
TOTAL REVENUES	16,295,322	3,982,163	844,263	2,042,485	23,164,233
<u>EXPENDITURES</u>					
Instruction:					
Regular education programs	5,447,074	-	-	42,089	5,489,163
Special education programs	591,641	-	-	576,502	1,168,143
Other education programs	869,490	-	702,857	287,853	1,860,200
Support:					
Pupil support services	805,572	-	-	-	805,572
Instructional staff services	456,249	-	111,419	116,296	683,964
General administration services	883,127	-	-	-	883,127
School administration services	1,275,414	-	-	-	1,275,414
Business and central services	312,829	-	-	-	312,829
Plant operation and maintenance	1,444,747	144,988	-	5,316	1,595,051
Transportation	513,936	-	29	33,000	546,965
Food services	2,221	-	-	1,059,266	1,061,487
Central services	327,740	-	-	-	327,740
State appropriations to charter schools	1,243,044	-	-	-	1,243,044
Facility acquisition and construction	83,607	4,383,529	-	-	4,467,136
Debt Service:					
Bond Issuance Cost	-	114,468	-	-	114,468
TOTAL EXPENDITURES	14,256,691	4,642,985	814,305	2,120,322	21,834,303
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,038,631	\$ (660,822)	\$ 29,958	\$ (77,837)	\$ 1,329,930

(continued)

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Flood Recovery</u>	<u>Title I</u>	<u>Other Non-Major</u>	<u>Total</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers out	\$ (577,554)	\$ -	\$ (29,958)	\$ (79,472)	\$ (686,984)
Transfers in	134,681	546,354	-	5,949	686,984
Long-term debt issued	-	1,200,000	-	-	1,200,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(442,873)</u>	<u>1,746,354</u>	<u>(29,958)</u>	<u>(73,523)</u>	<u>1,200,000</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>					
	1,595,758	1,085,532	-	(151,360)	2,529,930
Fund Balance, June 30, 2016, as restated	<u>996,773</u>	<u>-</u>	<u>-</u>	<u>206,383</u>	<u>1,203,156</u>
FUND BALANCES, JUNE 30, 2017	<u>\$ 2,592,531</u>	<u>\$ 1,085,532</u>	<u>\$ -</u>	<u>\$ 55,023</u>	<u>\$ 3,733,086</u> (concluded)

The accompanying notes are an integral part of this statement.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS -
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds	\$ 2,529,930
---------------------------------------------------------------------------------------------------------------	--------------

Amounts reported for governmental activities in the statement of activities are different due to the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay and other expenditures capitalized	\$ 112,785	
Depreciation expense for year ended June 30, 2016	<u>(378,931)</u>	(266,146)

Loss on disposal of capital assets		(619,681)
Bond Proceeds		(1,200,000)

Expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in net pension liability and deferred inflows and outflows in accordance with GASB 68	\$ 1,753,335	
Change in post-employment benefit obligation	(611,194)	
Change in claims and judgments payable	(4,372)	
Change in compensated absences payable	<u>(66,559)</u>	<u>1,071,210</u>

Change in Net Position - Governmental Activities	<u>\$ 1,515,313</u>
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CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents - School Activity Accounts	<u>\$ 44,550</u>
TOTAL ASSETS	<u><u>\$ 44,550</u></u>
<u>LIABILITIES</u>	
Amounts held for others	<u>\$ 44,550</u>
TOTAL LIABILITIES	<u><u>\$ 44,550</u></u>

The accompanying notes are an integral part of this statement

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the City of Baker School System (School System) 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 accepted standards-setting body for establishing governmental accounting and financial reporting.

A. **REPORTING ENTITY**

The City of Baker School System was created by Louisiana Revised Statute LSA-R.S. 17:51 to provide public education within the boundaries of the City of Baker. The School System is authorized by 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 System is comprised of five members who are elected from five districts for terms of four years.

The School System operates five schools within the City of Baker, Louisiana, with a total enrollment of approximately 1,497 pupils. In conjunction with the regular educational programs, some of these schools offer special education and/or adult education programs. In addition, the School System provides transportation and school food services for the students.

The Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* 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 System 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. Fiscally independent means that the School System 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 System also has no *component units*, defined by GASB as other legally separate organizations for which the elected School System members are financially accountable. There are no other primary governments with which the School System has a significant relationship.

B. **BASIS OF PRESENTATION AND ACCOUNTING**

The School System's Basic Financial Statements consist of the government-wide statements (on all of the non-fiduciary activities) and the fund financial statements (individual major fund, combined non-major funds, and the combined fiduciary funds.) The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities.

Government-Wide Financial Statements (GWFS)

The Government-Wide Financial Statements present all of the non-fiduciary fund activity of the School System and were prepared using the economic resources measurement focus and the accrual basis of accounting. Under 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. Sales taxes are recognized when the underlying sales transactions occur and property taxes are recognized when a legally enforceable claim arises. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Government-Wide Financial Statements (continued)

The Statement of Net Position and the Statement of Activities were 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 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 System'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 System does not have any capital grants and contributions for the year ended June 30, 2017.

The School System 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 System 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 System 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 Funds

Governmental Funds are used to account for the School System's 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 System reports the following major governmental funds:

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

Flood Recovery Fund is used to account for the proceeds of funds received from FEMA and associated debt as part of a plan to rebuild school facilities damaged in the Flood of 2016.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Governmental Funds (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 School System considers all revenues available within 60 days after year-end for property taxes. 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 current net position. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when a legally enforceable claim arises (generally when levied) 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, state revenue sharing, and federal and state grants) 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 System and are recognized as revenue at that time.

Expenditures

Salaries and benefits are recorded as earned. Salaries for nine-month employees are accrued at June 30.

Vendor payments are recorded as the obligation is incurred.

Other Financing Sources (Uses) consist of transfers between funds that are not expected to be repaid, capital lease transactions, sales of fixed assets, debt extinguishments, and long-term debt proceeds, and are recognized at the time the underlying events occur.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

Fiduciary Funds

An Agency Fund is a Fiduciary Fund which is custodial in nature (assets equal liabilities) and does not present results of operations or have a measurement focus. The agency fund consists of the school activity accounts which accounts for assets held by the School System as an agent for the individual schools and school organizations. Agency funds are accounted for on the accrual basis of accounting.

C. **CASH AND INVESTMENTS**

Cash consists of demand deposits. Time deposits and those investments with original maturities of 90 days or less are categorized as cash.

Under state law, the School System 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. Investments are generally restricted to debt securities backed by the U.S. Government or its agencies.

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 governmental funds 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 position 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 System 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 used. 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.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 System maintains a \$5,000 threshold level for capitalizing assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All depreciable 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 System, no salvage value is taken into consideration for depreciation purposes. Useful lives are approximately 5 to 10 years for furniture and equipment; and 40 years for buildings and improvements.

H. **COMPENSATED ABSENCES**

All 12-month employees earn up to twenty days of vacation leave each year, depending on their length of service with the School System. Vacation leave can be accumulated up to 50 days. Upon separation, all unused vacation is paid to the employee.

All School System employees earn up to twelve days 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 25 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 System's recognition and measurement criteria for compensated absences follows:

Accounting standards provide 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.

Accounting standards further provide 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.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 System uses this approach.

I. **RESTRICTED NET POSITION**

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

J. **FUND BALANCE OF FUND FINANCIAL STATEMENTS**

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable - represent balances that are not expected to be converted to cash.

Spendable

Restricted - represent balances where constraints have been established by parties outside of the School System or by enabling legislation.

Committed - represent balances where constraints have been established by formal action of the Board of the School System. A simple majority vote in a public meeting is required to establish, modify, or rescind a fund balance commitment.

Assigned - represent balances where informal constraints have been established by the School System or committee or delegate thereof, but are not restricted nor committed.

Unassigned - represent balances for which there are no constraints.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the School System reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, the School System reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

K. **INTERFUND ACTIVITY**

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

L. **SALES AND USE TAXES**

The voters of the City of Baker School System authorized the School System to levy and collect a permanent sales and use tax for 2% of all taxable activity within the geographical confines of the school district. Revenues generated by the tax must be used to supplement other revenues available to the School System, to pay for salary and benefits of school personnel, and to maintain and operate the 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.

N. **PENSION PLANS**

The City of Baker School System is a participating employer in two defined benefit pension plans as described in Note 5. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within each plan.

2. **AD VALOREM TAXES**

The School System levies taxes on real and business personal property located within the City of Baker's boundaries. Property taxes are levied by the School System on property values assessed by the East Baton Rouge Parish Tax Assessor, except for public utility property which is assessed by the Louisiana Tax Commission. Assessed values are approved by the Louisiana Tax Commission. The East Baton Rouge Parish Sheriff's Office bills and collects property taxes for the School System. Collections are remitted to the School System monthly.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Ad valorem taxes are assessed and levied on a calendar year basis by the East Baton Rouge Parish Assessor's Office, based on the assessed value on January 1 of the assessment year. However, before taxes can be levied, the tax rolls must be submitted to the State Tax Commission for approval. Taxes are billed on November 30, and are due by December 31. An enforceable lien attaches on the property as of January 1. After December 31, taxes become delinquent and interest and penalty accrue. Taxes are generally collected in January, February and March of the following fiscal year.

Total net assessed value less homestead exemption was \$43,813,853 in calendar year 2016. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes.

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 amount of property necessary to settle the taxes and interest owed.

Property taxes are recorded in the general fund on the basis explained in Note 1. Revenues in such funds are recognized in the accounting period in which an enforceable legal claim arises to the extent available. All taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

A summary of the various taxes levied for 2017 is as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
City-wide taxes			
Constitutional tax	5.00	5.00	N/A
Special school maintenance tax	38.20	38.20	12/31/2022

3. **DEPOSITS AND INVESTMENTS**

Deposits

The carrying amount of the School System's deposits with the financial institutions was \$2,853,457 which includes funds held in an agency capacity of \$44,550. In addition, \$1,615,295 of these deposits is restricted for use on flood recovery efforts. The bank balances totaled \$3,496,001 at June 30, 2017. Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the School System's deposits may not be returned. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of June 30, 2017, the School System had deposits in the amount of \$135,659 which were exposed to custodial credit risk.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana, and its municipalities and school districts.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

4. **CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2017 is as follows:

	<u>Land</u>	<u>Work in Progress</u>	<u>Buildings and Improvements</u>	<u>Furniture, Fixtures & Equipment</u>	<u>Total</u>
<u>Cost:</u>					
at June 30, 2016	149,536	-	15,710,263	722,920	16,582,719
Additions	-	-	-	112,785	112,785
Deletions	-	-	(2,934,091)	(353,003)	(3,287,094)
at June 30, 2017	<u>149,536</u>	<u>-</u>	<u>12,776,172</u>	<u>482,702</u>	<u>13,408,410</u>
<u>Accumulated depreciation:</u>					
at June 30, 2016	-	-	(7,101,688)	(639,966)	(7,741,654)
Prior period adjustment	-	-	-	41,342	41,342
at June 30, 2016 (revised)	-	-	(7,101,688)	(598,624)	(7,700,312)
Additions	-	-	(327,788)	(51,143)	(378,931)
Deletions	-	-	2,356,998	310,415	2,667,413
at June 30, 2017	<u>-</u>	<u>-</u>	<u>(5,072,478)</u>	<u>(339,352)</u>	<u>(5,411,830)</u>
Total	<u>\$ 149,536</u>	<u>\$ -</u>	<u>\$ 7,703,694</u>	<u>\$ 143,350</u>	<u>\$ 7,996,580</u>

Depreciation expense of \$378,931 for the year ended June 30, 2017 was charged to the following governmental functions:

Regular education programs	\$ 17,770
Special education programs	3,735
Other education programs	5,424
Pupil support services	2,575
Instructional staff services	2,464
General administrative services	2,822
School administration services	4,076
Business and central services	2,047
Plant operation and maintenance	332,886
Transportation	1,748
Food services	3,384
	<u>\$ 378,931</u>

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS**

The City of Baker School System (the School System) is a participating employer in several cost-sharing defined benefit pension plans. These plans are administered by two public employee retirement systems, the Teachers' Retirement System of Louisiana (TRSL), and the Louisiana School Employees' Retirement System (LSERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees and all Systems are component units of the State of Louisiana.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

TRSL:	LSERS:
8401 United Plaza Blvd.	8660 United Plaza Blvd.
P. O. Box 94123	Baton Rouge, LA 70804
Baton Rouge, Louisiana	(225) 925-6484
70804-9123	www.lsers.net
(225) 925-6446	
www.trsl.org	

The School System implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the School System to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

Plan Descriptions:

Teachers' Retirement System of Louisiana (TRSL)

The Teachers' Retirement System of Louisiana (TRSL) is the administrator of a cost-sharing multiple employer defined benefit plan. The plan provides retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in LRS 11:701. The School System has participants in TRSL's Regular Plan and in Plan A. Eligibility for retirement benefits for these plans and the calculation of retirement benefits are provided for in LRS 11:761. Most members are eligible to receive retirement benefits 1) at the age of 60 with 5 years of creditable service, 2) at the age of 55 with at least 25 years of creditable service, or 3) at any age with at least 30 years of creditable service. Retirement benefits are calculated by applying a percentage ranging from 2% to 3% of final average salary multiplied by years of service. Final average salary is based upon the member's highest successive 36 months (highest successive 60 months for members employed after January 1, 2011).

In lieu of terminating employment and accepting a service retirement, an eligible member can begin participation in the Deferred Retirement Option Program (DROP) on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of DROP, the member can continue employment and earn additional accruals to be added to the fixed pre-DROP benefit. Upon termination of employment, the member is entitled to the fixed benefit, an additional benefit based on post-DROP service (if any), and the individual DROP account balance which can be paid in a lump sum or an additional annuity based upon the account balance.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

Under LRS 11:778, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011 and have five or more years creditable service, or if employed on or after January 1, 2011 and attained at least 10 years of creditable service. Members employed prior to January 1, 2011 receive disability benefits equal to 2½% of his average compensation multiplied by his years of creditable service, but not more than 50% of his average compensation subject to statutory minimums. Members employed on or after January 1, 2011 receive disability benefits equal to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in LRS 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or must have had a minimum of twenty years of service credit regardless of when earned. Survivor benefits are equal to 50% of the benefit to which the member would have been entitled if he had retired on the date of his death using a factor of 2½% regardless of years of service or age, or \$600 per month, whichever is greater.

Louisiana School Employees' Retirement System (LSERS)

The Louisiana School Employees' Retirement System (LSERS) is the administrator of a cost-sharing multiple employer defined benefit pension plan. The plan provides retirement, disability, and survivor benefits to school employees as defined in LRS 11:1002. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in LRS 11:1141. Members who joined the system on or before June 30, 2010 are eligible for regular retirement benefits upon attaining 30 years of service at any age, 25 years of service and aged 55 years, 20 years of service regardless of age with an actuarially reduced benefit, or 10 years of service and aged 60 years. Members who joined the system after June 30, 2010 are eligible for regular retirement upon attaining at least 5 years of service and aged 60 years or 20 years of service regardless of age with an actuarially reduced benefit. For members employed prior to July 1, 2010, the maximum retirement benefit is equal to 3⅓% of the average compensation for the three highest consecutive years of service (five highest consecutive years for members employed between July 1, 2006 and June 30, 2010), subject to a 10% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2 per month for each year of service. For members employed on or after July 1, 2010, the maximum retirement benefit is equal to 2½% of the average compensation for the five highest consecutive years of service, subject to a 15% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2 per month for each year of service. Members of the System may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the System. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account. The System maintains subaccounts within this account reflecting the credits attributed to each participant in the DROP program. Interest credited and payments from the DROP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3). Upon termination of participation in both the DROP program and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

The System also provides for deferred benefits for vested members who terminate before being eligible for retirement once the member reaches the appropriate age for retirement, benefits become payable. LRS 11:1147 provides that members are eligible to retire and receive disability benefits if the member has attained at least 5 years of creditable service (10 years of creditable service if employed on or after July 1, 2006), if the member is not eligible for regular retirement and has become totally and permanently disabled. Disability benefits are equal to 2½% of his average compensation multiplied by his years of creditable service, but not less than 33⅓% of his average compensation for members employed prior to July 1, 2006 and 3% of his average compensation multiplied by his years of creditable service for members employed between July 1, 2006 and June 30, 2010. For those employed on or after July 1, 2010 disability benefits are equivalent to the regular retirement formula without reduction by reason of age. Pursuant to LRS 11:1151, survivor benefits of up to 75% of the members salary are available for surviving spouses and minor children of members with at least five years of service.

Funding Policy

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer’s portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems’ Actuarial Committee (PRSAC).

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2017, for the School System and covered employees were as follows:

	School System	Employees
Teachers' Retirement System:		
Regular Plan	26.30%	8.00%
Plan A	31.30%	9.10%
School Employees' Retirement System	30.20%	7.50%- 8.00%

The contributions made to the Systems for the past three fiscal years were as follows:

	2017	2016	2015
Teachers' Retirement System	\$ 2,142,700	\$ 1,693,380	\$ 2,817,503
School Employees' Retirement System	105,920	135,773	215,023

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the School System's proportionate share of the Net Pension Liability allocated by each of the pension plans for based on the June 30, 2016 measurement date. The School System uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2017 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2016 along with the change compared to the June 30, 2015 rate. The School System's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2016	Rate at June 30, 2016	Increase (Decrease) to June 30, 2015 Rate
Teachers' Retirement System	\$ 15,361,134	0.1309%	-0.0447%
School Employees' Retirement System	1,203,697	0.1596%	-0.0770%
	<u>\$ 16,564,831</u>		

The following schedule list each pension plan's recognized pension expense. of plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions by the School System for the year ended June 30, 2017:

	<u>Pension Expense</u>
Teachers' Retirement System	\$ 378,928
School Employees' Retirement System	116,357
	<u>\$ 495,285</u>

The School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (336,120)
Changes of assumptions	28,516	(31,815)
Net difference between projected and actual earnings on pension plan investments	1,270,743	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,188,309	(5,597,568)
Employer contributions subsequent to the measurement date	2,248,620	-
Total	<u>\$ 4,736,188</u>	<u>\$ (5,965,503)</u>

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Teachers' Retirement System (TRSL)	\$ 4,396,752	\$ (5,552,056)
School Employees' Retirement System (LSERS)	339,436	(413,447)
	\$ 4,736,188	\$ (5,965,503)

The School System reported a total of \$2,248,620 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2017. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
Teachers' Retirement System	\$ 2,142,700
School Employees' Retirement System (LSERS)	105,920
	\$ 2,248,620

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	TRSL	LSERS	Total
2017	\$ (953,427)	\$ (122,079)	\$ (1,075,506)
2018	(953,427)	(170,647)	(1,124,074)
2019	(731,037)	68,913	(662,124)
2020	(660,113)	43,882	(616,231)
	\$ (3,298,004)	\$ (179,931)	\$ (3,477,935)

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2016 are as follows:

	TRSL	LSERS
Valuation Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Expected Remaining		
Service Lives	5 years	3 years
Investment Rate of Return	7.75% net of investment expenses	7.125% net of investment expenses
Inflation Rate	2.5% per annum	2.625%
Mortality	Mortality rates were projected based on the RP-2000 Mortality Table with projection to 2025 using Scale AA.	Mortality rates based on the RP-2000 Sex Distinct Mortality Table.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2008 - 2012) experience study of the System's members.	
Salary Increases	3.50% - 10.0% varies depending on duration of service	Salary increases were projected based on the 2008-2012 experience study of the Plan's members ranging from 3.075% - 5.375%. The annual salary growth rates are based upon the members' years of service.
Cost of Living Adjustments	None	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in the actuarial liability and the plan has met the criteria and eligibility requirements outline by ACT 399 of 2014.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

TRSL	LSERS
<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification.</p>	<p>The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.</p>

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2016:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	TRSL	LSERS	TRSL	LSERS
Cash	-	-	-	-
Domestic equity	31.0%	51.0%	4.50%	3.10%
International equity	19.0%	-	5.31%	-
Domestic fixed income	14.0%	30.0%	2.45%	1.82%
International fixed income	7.0%	-	3.28%	-
Alternatives	29.0%	13.0%	11.62%	0.79%
Global asset allocation	-	-	-	-
Real assets	-	6.0%	-	0.36%
Total	100.0%	100.0%	n/a	6.07%
Inflation				2.00%
Expected Arithmetic Nominal Return				8.07%

n/a - amount not provided by Retirement System

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. **DEFINED BENEFIT PENSION PLANS** (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for TRSL, and LSERS was 7.75%, and 7.125%, respectively for the year ended June 30, 2016.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School System's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the School System's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
TRSL			
Rates	6.75%	7.75%	8.75%
CBSS Share of NPL	\$ 19,160,035	\$ 15,361,134	\$ 12,128,525
LSERS			
Rates	6.125%	7.125%	8.00%
CBSS Share of NPL	\$ 1,580,119	\$ 1,203,697	\$ 881,201

Payables to the Pension Plan

The City of Baker School System recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2017 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at June 30, 2017 is as follows:

	<u>2017</u>
TRSL	\$ 90,271
LSERS	-
	<u>\$ 90,271</u>

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The School System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the School System's employees become eligible for these benefits if they reach normal retirement age while working for the School System. These benefits for retirees and similar benefits for active employees are provided through the State Employees' Group Benefits Program whose monthly premiums are paid jointly by the employee and the School System. The School System accounts for these benefits according to *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other Than Pensions* (GASB 45).

Plan Description – The City of Baker School Board's medical benefits are provided to employees upon actual retirement.

Most employees are covered by the Teachers' Retirement System of Louisiana (TRSL), whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or age 65 and 5 years of service. The remaining employees are covered by the Louisiana School Employees' Retirement System (LSERS) whose retirement (D.R.O.P. entry) eligibility provisions are the same as TRSL except that they are also eligible to retire at age 60 and 10 years of service. Employees hired on or after January 1, 2011 must have attained at least age 60 at retirement (or D.R.O.P. entry) to avoid actuarial reduction in the retirement benefit. Former employees of the East Baton Rouge Parish School System who were over age 30 in 2003 have been assumed to have been hired at age 30 for purposes of determining retirement (D.R.O.P. entry) eligibility.

Contribution Rates – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2009, the City of Baker School System recognized the cost of providing post-employment medical benefits (the City of Baker School System's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017 and 2016, the City of Baker School Board's portion of health care funding cost for retired employees totaled \$196,249 and \$181,712, respectively.

Effective July 1, 2009, the City of Baker School System implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

Annual Required Contribution – The City of Baker School System’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2017</u>	<u>2016</u>
Normal cost	\$ 438,440	\$ 421,577
30-year UAL amortization amount	441,449	424,470
Annual required contribution (ARC)	<u>\$ 879,889</u>	<u>\$ 846,047</u>

Net Post-employment Benefit Obligation. The table below shows the City of Baker School Board’s Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending June 30:

	<u>2017</u>	<u>2016</u>
Beginning Net OPEB Obligation	\$ 4,063,158	\$ 3,460,525
Annual required contribution	879,889	846,047
Interest on Net OPEB Obligation	162,526	138,420
ARC Adjustment	<u>(234,973)</u>	<u>(200,122)</u>
OPEB Cost	807,442	784,345
Contribution to Irrevocable Trust	-	-
Current year retiree premium	<u>(196,249)</u>	<u>(181,712)</u>
Change in Net OPEB Obligation	611,193	602,633
Ending Net OPEB Obligation	<u>\$ 4,674,352</u>	<u>\$ 4,063,158</u>

The following table shows the City of Baker School Board’s annual other post employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post employment benefits (OPEB) liability:

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Medical & Life	June 30, 2017	\$ 807,442	24.31%	\$ 4,674,352
Medical & Life	June 30, 2016	\$ 784,345	23.17%	\$ 4,063,158
Medical & Life	June 30, 2015	\$ 958,817	2.78%	\$ 3,460,525

Funded Status and Funding Progress. In 2017 and 2016, the City of Baker School Board made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$7,938,957 which is defined as that portion, as determined by a particular actuarial cost method (the City of Baker School System uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

	<u>2017</u>	<u>2016</u>
Actuarial Accrued Liability (AAL)	\$ 7,938,957	\$ 7,633,612
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 7,938,957</u>	<u>\$ 7,633,612</u>
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 7,698,666	\$ 6,948,414
UAAL as a percentage of covered payroll	103.12%	109.86%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Baker School Board and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Baker School Board and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Baker School Board and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets – There are no plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

Turnover Rate – An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%.

Post employment Benefit Plan Eligibility Requirements – It is assumed that entitlement to benefits will commence four years after earliest eligibility to enter the DROP. This consists of a three year DROP period plus an additional one year delay. Medical benefits are provided to employees upon actual retirement.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate – The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays varying percentages of the retiree premium according to a schedule based on service, but the service is only up to ten years, for which 100% is paid by the employer. The rates provided are "blended" rates for active and retired. Since GASB 45 requires the use of "unblended" rates, we have used estimated "unblended" rates as follows. The pre-Medicare employer provided rates were determined by adding 30% to the currently prevailing blended rates. The post-Medicare employer provided rates were determined by subtracting 20% from the currently prevailing blended rates.

Inflation Rate – Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases – This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases – The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
OPEB Cost	\$ 958,817	\$ 784,345	\$ 807,442
Contribution	-	-	-
Retiree premium	26,671	181,712	196,249
Total contribution and premium	<u>26,671</u>	<u>181,712</u>	<u>196,249</u>
Change in net OPEB obligation	\$ <u>932,146</u>	\$ <u>602,633</u>	\$ <u>611,193</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	2.78%	23.17%	24.31%

7. **AGENCY FUND DEPOSITS DUE OTHERS**

A summary of changes in school activities agency fund deposits due others for the year ended June 30, 2017, is as follows:

	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, Ending</u>
Agency Funds:				
School Activities Accounts	\$ <u>75,458</u>	\$ <u>251,583</u>	(\$ <u>282,491</u>)	\$ <u>44,550</u>

8. **LONG-TERM LIABILITIES**

The following is a summary of the changes in general long-term obligations for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>	<u>Amount due in one year</u>
Claims & Judgments	\$ 7,500	\$ 11,872	\$ (7,500)	\$ 11,872	\$ 11,872
Bonds Payable	-	1,200,000	-	1,200,000	60,000
Compensated Absences	485,549	302,741	(236,182)	552,108	55,211
	<u>\$ 493,049</u>	<u>\$ 1,514,613</u>	<u>\$ (243,682)</u>	<u>\$ 1,763,980</u>	<u>\$ 127,083</u>

The State Bond Commission approved Louisiana Community Development Authority revenue bonds not exceeding \$12,000,000 to finance the demolition, construction, reconstruction, renovation, and improvement of the flood damaged schools within the District, including all furnishings, fixtures and facilities. The revenue bonds were issued as Series 2017A and 2017B.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

8. **LONG-TERM LIABILITIES** (continued)

The Series 2017A Bonds are draw-down Bonds, not exceeding \$10,800,000. The Series 2017A Bonds will be dated the date of delivery, mature on May 1, 2019, and principal shall be due and payable at maturity. The Series 2017A Bonds shall bear interest from the date thereof, payable on May 1 and November 1 of each year, commencing November 1, 2017, at the Wall Street Journal Prime Rate plus 0.70% not to exceed the maximum rate. As of the date of the report, no bonds were issued under Series 2017A.

The Series 2017B Bonds were issued in May 2017 in the amount of \$1,200,000, with a maturity date of May 1, 2037 and bear interest at a rate of 4.37% payable on May 1 and November 1 of each year, commencing November 1, 2017. The principal is due upon surrender of the 2017 Bonds.

The majority of the long-term liabilities will be liquidated through the General Fund.

In accordance with LSA-R.S. 39:562(L), the School System is legally restricted from incurring long-term bonded debt in excess of 35 percent of the assessed value of taxable property (including homestead exempt and nonexempt property) within the parish. At June 30, 2017, the statutory limit is \$15,334,848.

The debt service requirements for the School System's bonds are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>			
2018	60,000	52,440	112,440
2019	60,000	49,818	109,818
2020	60,000	47,196	107,196
2021	60,000	44,574	104,574
2022	60,000	41,952	101,952
2023 - 2027	300,000	170,430	470,430
2028 - 2032	300,000	104,880	404,880
2033 - 2037	300,000	39,330	339,330
	<u>1,200,000</u>	<u>550,620</u>	<u>1,750,620</u>

9. **INTERFUND TRANSACTIONS**

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
General	\$ 1,655,497	General	\$ -
Flood Recovery	-	Flood Recovery	638,718
Title I	-	Title I	292,412
Non-Major	-	Non-Major	724,367
	<u>\$ 1,655,497</u>		<u>\$ 1,655,497</u>

The primary purpose of interfund advances is to cover expenditures on cost reimbursement grant programs until reimbursements are received from the granting agencies.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

9. **INTERFUND TRANSACTIONS** (continued)

Transfers In		Transfers Out	
General	\$ 134,681	General	\$ 577,554
Flood Recovery	546,354	Flood Recovery	-
Title I	-	Title I	29,958
Non-Major	5,949	Non-Major	79,472
	\$ 686,984		\$ 686,984

The purpose of interfund transfers is to cover operating expenditures of the general fund through indirect cost recoveries charged to grant programs and to transfer general fund surplus to the capital projects fund to be used for capital improvements.

10. **RISK MANAGEMENT**

The School System manages its exposure under general liability, fleet, workers' compensation, and errors and omissions through the purchase of commercial insurance.

11. **LITIGATION AND CLAIMS**

Litigation. The School System is a defendant in several lawsuits. Management and legal counsel for the School System believe that the potential claims against the School System not covered by insurance would not materially affect the School System's financial position. An accrual of \$11,872 has been made within the statement of net position to cover any potential exposure.

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 as well as audits conducted by the Louisiana and U.S. Departments of Education. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants.

12. **OPERATING LEASES**

The School System leases school buses through various lease arrangements which qualify as operating leases. The pricing for the agreements are based on the quantity of buses needed. The lease payments are to be made on a monthly basis. The leases range from a period of one year to five years.

Management has estimated that the minimum future lease payments under non-cancellable lease agreements in effect at June 30, 2017 are as follows:

Year ending June 30,	Amount
2018	\$ 180,000
2019	85,500
	\$ 265,500

Lease payments made during June 30, 2017 totaled approximately \$176,000 for the school bus lease arrangement.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

13. **FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board recently issued GASB Statement No. 75 Accounting for Postemployment Benefits, which supersedes accounting standards that currently exist regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of actuarially determined accrued benefits less amounts funded into a trust rather than recognizing a liability based upon the difference between funding recommendations and actual contributions, as is currently required. Additionally, the liability will be measured according to more prescriptive requirements. The standard is effective for annual reporting periods beginning after June 15, 2017. The School Board expects that the new standard will have a material negative effect on its net position for the year ended June 30, 2018. However, the amount of the effect is unknown at this time.

14. **APPROPRIATIONS TO CHARTER SCHOOLS AND OTHER AGENCIES**

Appropriations to Charter Schools and other agencies during the year ended June 30, 2017, were as follows:

	<u>General Fund</u>
Office of Juvenile Justice	\$ 2,873
Madison Prep	24,831
Louisiana Key Academy	16,554
Baton Rouge Charter Academy	44,144
Impact Charter	389,019
Advantage Charter Academy	695,268
Apex Collegiate Academy	33,108
Louisiana Virtual Charter Academy	14,899
Louisiana Connections	22,348
Total Appropriations	<u>\$ 1,243,044</u>

15. **TAX REVENUES ABATED**

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Applications to exempt qualified property for five years are approved by the Board of Commerce and Industry. The exemption may be renewed for an additional five years. For the fiscal year ending June 30, 2017, approximately \$79,000 in City of Baker School System ad valorem tax revenues were abated by the state of Louisiana through the Louisiana Industrial Ad Valorem Tax Exemption program.

CITY OF BAKER SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

16. **RESTATEMENT OF PRIOR YEAR NET POSITION AND GENERAL FUND, FUND BALANCE**

Net position and the general fund's fund balance of the School System was restated for June 30, 2016, for the following accounting errors identified in the current fiscal year:

- The schedule of capital assets included an overstatement of depreciation expense of \$41,342
- The salaries and benefits payable account was overstated resulting in an overstatement of salaries expense of \$347,110

The net effect to the Statement of Net Position and General Fund's fund balance for the prior period is as follows:

	<u>Net Position</u>	<u>General Fund Fund Balance</u>
Balance at June 30, 2016, as previously reported	\$(14,406,577)	\$ 649,663
Adjustment for depreciation expense	41,342	-
Adjustment for salaries expense	<u>347,110</u>	<u>347,110</u>
Balance at June 30, 2016, as restated	<u><u>\$(14,018,125)</u></u>	<u><u>\$ 996,773</u></u>

17. **SUBSEQUENT EVENTS**

Management has evaluated events through the date that the financial statements were available to be issued, January 29, 2018 and determined that no subsequent event disclosures are necessary.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Local sources:				
Ad valorem taxes	\$ 1,982,191	\$ 1,850,000	\$ 1,901,275	\$ 51,275
Sales and use taxes	3,140,590	3,545,935	3,766,543	220,608
Earnings on investments	1,200	1,200	1,882	682
Donations	-	65,000	-	(65,000)
Other	1,000	1,000	23,668	22,668
State sources:				
Minimum foundation program (MFP)	8,983,104	9,113,280	10,334,467	1,221,187
Professional involvement program	58,700	21,985	-	(21,985)
Revenue sharing	40,500	40,500	-	(40,500)
Restricted grants-in-aid	-	-	100,399	100,399
Other	-	-	47,994	47,994
Erate	75,500	75,500	119,094	43,594
Total revenues	<u>14,282,785</u>	<u>14,714,400</u>	<u>16,295,322</u>	<u>1,580,922</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular education programs	5,710,222	5,115,225	5,447,074	(331,849)
Special education programs	852,015	635,520	591,641	43,879
Other education programs	1,117,437	932,402	869,490	62,912
Support services:				
Pupil support services	886,989	785,890	805,572	(19,682)
Instructional staff services	515,998	468,350	456,249	12,101
General administration services	901,324	901,325	883,127	18,198
School administration services	1,176,299	1,235,160	1,275,414	(40,254)
Business administration and central services	305,244	305,244	312,829	(7,585)
Plant operation and maintenance	1,669,825	1,669,825	1,444,747	225,078
Transportation	555,168	555,168	513,936	41,232
Food services	11,500	11,500	2,221	9,279
Central services	354,895	354,895	327,740	27,155
State Appropriations	-	-	1,243,044	(1,243,044)
Facilities acquisition and construction	-	25,000	83,607	(58,607)
Debt service	-	120,000	-	120,000
Total expenditures	<u>14,056,916</u>	<u>13,115,504</u>	<u>14,256,691</u>	<u>(1,141,187)</u>
Excess (deficiency) of revenues over expenditures	\$ 225,869	\$ 1,598,896	\$ 2,038,631	\$ 439,735

(continued)

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<u>Other financing sources (uses):</u>				
Operating transfers in	\$ -	\$ -	\$ 134,681	\$ 134,681
Operating transfers out	-	(1,000,550)	(577,554)	422,996
Total other financing sources (uses)	-	(1,000,550)	(442,873)	557,677
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	225,869	598,346	1,595,758	997,412
Fund balances, June 30, 2016, as restated	649,172	649,660	996,773	347,113
FUND BALANCES, JUNE 30, 2017	\$ 875,041	\$ 1,248,006	\$ 2,592,531	\$ 1,344,525 (concluded)

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

FLOOD RECOVERY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Flood Recovery		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Federal grants	\$ 6,754,950	\$ 3,982,163	\$ (2,772,787)
Total revenues	6,754,950	3,982,163	(2,772,787)
<u>Expenditures:</u>			
Current:			
Support services:			
Plant operation and maintenance	-	144,988	(144,988)
Facility acquisition and construction	8,955,500	4,383,529	4,571,971
Debt Service:			
Bond Issuance Cost	-	114,468	(114,468)
Total expenditures	8,955,500	4,642,985	4,312,515
Excess of revenues over expenditures	(2,200,550)	(660,822)	1,539,728
<u>Other financing sources (uses):</u>			
Operating transfers in	1,000,550	546,354	(454,196)
Long-term debt issued	1,200,000	1,200,000	-
Total other financing sources (uses)	2,200,550	1,746,354	(454,196)
Excess of revenues and other financing sources over expenditures and other uses	-	1,085,532	1,085,532
Fund balances, June 30, 2016	-	-	-
FUND BALANCES, JUNE 30, 2017	\$ -	\$ 1,085,532	\$ 1,085,532

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

TITLE I
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Title I			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Federal grants	\$ 755,650	\$ 967,789	\$ 844,263	\$ (123,526)
Total revenues	755,650	967,789	844,263	(123,526)
<u>Expenditures:</u>				
Current:				
Instruction:				
Other education programs	693,138	838,600	702,857	135,743
Support services:				
Instructional staff services	77,015	92,377	111,419	(19,042)
Transportation	-	-	29	(29)
Total expenditures	770,153	930,977	814,305	116,672
Excess of revenues over expenditures	(14,503)	36,812	29,958	(6,854)
<u>Other financing sources (uses):</u>				
Operating transfers out	14,503	(36,812)	(29,958)	6,854
Total other financing sources (uses)	14,503	(36,812)	(29,958)	6,854
Excess of revenues and other financing sources over expenditures and other uses	-	-	-	-
Fund balances, June 30, 2016	-	-	-	-
FUND BALANCES, JUNE 30, 2017	\$ -	\$ -	\$ -	\$ -

CITY OF BAKER SCHOOL SYSTEM

NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

BUDGETS

General Budget Practices. The School System 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 System proposed annual budgets for the general fund and special revenue funds. Public hearings are conducted, prior to the System'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 System and as amended by the System.

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 System. Legally, the System 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 System 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 System approves budgets at the function level and management can transfer amounts between line items within a function.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

OTHER POST EMPLOYMENT BENEFITS PLAN
RETIREE HEALTH AND LIFE INSURANCE PROGRAMS
YEAR ENDED JUNE 30, 2017

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/17	07/01/15	\$ -	\$ 7,938,957	\$ 7,938,957	0.00%	\$ 7,698,666	103.12%
06/30/16	07/01/15	-	7,633,612	7,633,612	0.00%	6,948,414	109.86%
06/30/15	07/01/13	-	6,555,485	6,555,485	0.00%	8,596,847	76.25%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Costs Contributed	Increase (Decrease) to Net OPEB Obligation	Net OPEB Obligation
06/30/17	\$ 807,442	\$ 196,249	24.31%	\$ 611,193	\$ 4,674,351
06/30/16	784,345	181,712	23.17%	602,633	4,063,158
06/30/15	958,817	26,671	2.78%	932,146	3,460,525

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PLANS ONLY

FOR THE YEAR ENDED JUNE 30, 2017 (*)

<u>Pension Plan</u>	<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Teachers Retirement System of Louisiana						
	2017	0.1309%	\$ 15,361,134	\$ 7,277,202	211.0857%	59.90%
	2016	0.1756%	18,878,956	10,152,168	185.9598%	62.50%
	2015	0.1939%	19,814,863	9,617,165	206.0364%	63.70%
Louisiana School Employees Retirement System						
	2017	0.1596%	\$ 1,203,697	\$ 449,581	267.7375%	70.09%
	2016	0.2368%	1,501,689	657,982	228.2265%	74.49%
	2015	0.2152%	1,247,389	596,600	209.0830%	76.18%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(*) The amounts presented have a measurement date of the previous fiscal year end.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

SCHEDULE OF CONTRIBUTIONS TO EACH RETIREMENT SYSTEM
COST SHARING PLANS ONLY

FOR THE YEAR ENDED JUNE 30, 2017

<u>Pension Plan:</u>	<u>Year</u>	<u>Contractually Required Contribution¹</u>	<u>Contributions in Relation to Contractually Required Contribution²</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll³</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Teachers Retirement System of Louisiana						
	2017	\$ 2,142,700	\$ 2,142,700	\$ -	\$ 8,402,745	25.5000%
	2016	1,914,774	1,914,774	-	7,277,202	26.3120%
	2015	2,842,607	2,842,607	-	10,152,168	28.0000%
Louisiana School Employees Retirement System						
	2017	\$ 105,920	\$ 105,920	\$ -	\$ 387,985	27.3000%
	2016	135,773	135,773	-	449,581	30.1999%
	2015	218,864	218,864	-	657,982	33.2629%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

For reference only:

¹ *Employer contribution rate multiplied by employer's covered employee payroll*

² *Actual employer contributions remitted to Retirement Systems*

³ *Employer's covered employee payroll amount for each of the fiscal years ended*

CITY OF BAKER SCHOOL SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Change of Benefit Terms Include:

Teachers Retirement System of Louisiana

- A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session.

Louisiana School Employees Retirement System

- There were no changes of benefit terms for the year ended June 30, 2017 and 2016

Change of Assumptions

Teachers Retirement System of Louisiana

- There were no changes of benefit assumptions for the year ended June 30, 2017 and 2016.

Louisiana School Employees Retirement System

- The inflation rate assumption for 2017 (2016 valuation) was changed to 2.625% from 2.75% used in the previous year.
- The discount rate assumption for 2017 (2016 valuation) was changed to 7.125% from 7.00% used in the previous year.

OTHER SUPPLEMENTAL INFORMATION

CITY OF BAKER SCHOOL SYSTEM

NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS

Vocational Education This fund accounts for a federal grant, the goal of which is to provide salaries, supplies, and equipment to be used in vocational education programs.

Title II This fund accounts for the federal grants which combine the Eisenhower Professional Development State Grants and Class-Size Reduction programs into one program that focuses on preparing, training and recruiting high-quality teachers.

State Grants This fund is used to account for special non-federal grants received from various departments of the State of Louisiana.

Louisiana Pre-K 4 This fund accounts for a grant, the goal of which is to promote the school readiness of low-income preschool children by enhancing their cognitive social and emotional development in learning environments.

School Food Service This fund is used to account for activities of the School System's food service program.

Special Education This fund accounts for amounts received under *The Individuals with Disabilities Education Act (IDEA)*, which 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.

Temporary Assistance for Needy Families is a *pre-GED/Skills Option Program* which is a counseling and guidance program with components for pre-GED academic, workplace readiness and skills instructions for students who are at risk of dropping out of high school.

Project Serv funds short-term and long-term education-related services for local education agencies (LEAs) and institutions of higher education (IHEs) to help them recover from a violent or traumatic event in which the learning environment has been disrupted.

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Vocational Education	Title II	State Grants	Louisiana PreK - 4
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	13,612	105,326	17,511	35,566
Inventory	-	-	-	-
	<u>\$ 13,612</u>	<u>\$ 105,326</u>	<u>\$ 17,511</u>	<u>\$ 35,566</u>
TOTAL ASSETS	<u>\$ 13,612</u>	<u>\$ 105,326</u>	<u>\$ 17,511</u>	<u>\$ 35,566</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ -	\$ 202	\$ -	\$ -
Due to other funds	13,612	105,124	17,511	35,566
	<u>13,612</u>	<u>105,326</u>	<u>17,511</u>	<u>35,566</u>
TOTAL LIABILITIES	<u>13,612</u>	<u>105,326</u>	<u>17,511</u>	<u>35,566</u>
Fund balances:				
Nonspendable	-	-	-	-
Spendable				
Assigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,612</u>	<u>\$ 105,326</u>	<u>\$ 17,511</u>	<u>\$ 35,566</u>

(continued)

<u>School Food Service</u>	<u>Special Education</u>	<u>TANF</u>	<u>Project Serv</u>	<u>Total</u>
\$ 23,738	\$ -	\$ -	\$ -	\$ 23,738
160,568	276,494	50,777	75,466	735,320
21,850	-	-	-	21,850
<u>\$ 206,156</u>	<u>\$ 276,494</u>	<u>\$ 50,777</u>	<u>\$ 75,466</u>	<u>\$ 780,908</u>
\$ 185	\$ 1,131	\$ -	\$ -	\$ 1,518
150,948	275,363	50,777	75,466	724,367
<u>151,133</u>	<u>276,494</u>	<u>50,777</u>	<u>75,466</u>	<u>725,885</u>
21,850	-	-	-	21,850
33,173	-	-	-	33,173
<u>55,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,023</u>
<u>\$ 206,156</u>	<u>\$ 276,494</u>	<u>\$ 50,777</u>	<u>\$ 75,466</u>	<u>\$ 780,908</u>
				(concluded)

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	Vocational Education	Title II	State Grants	Louisiana PreK - 4
<u>REVENUES</u>				
Local sources:				
Food sales	\$ -	\$ -	\$ -	\$ -
State sources:				
Unrestricted grants-in-aid, MFP	-	-	-	-
Restricted grants-in-aid	-	-	62,323	78,085
Federal grants	16,036	174,670	-	-
TOTAL REVENUES	16,036	174,670	62,323	78,085
<u>EXPENDITURES</u>				
Instruction:				
Regular education programs	-	-	4,939	-
Special education programs	-	-	-	-
Other education programs	16,036	51,592	56,610	84,034
Support:				
Instructional staff services	-	116,296	-	-
Plant operation and maintenance	-	-	-	-
Transportation	-	-	-	-
Food services	-	-	-	-
TOTAL EXPENDITURES	16,036	167,888	61,549	84,034
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	6,782	774	(5,949)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	(6,782)	(774)	-
Transfers in	-	-	-	5,949
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,782)	(774)	5,949
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</u>				
	-	-	-	-
Fund balances, June 30, 2016	-	-	-	-
FUND BALANCES, JUNE 30, 2017	\$ -	\$ -	\$ -	\$ -

(continued)

<u>School Food Service</u>	<u>Special Education</u>	<u>TANF</u>	<u>Project Serv</u>	<u>Total</u>
\$ 4,906	\$ -	\$ -	\$ -	\$ 4,906
13,304	-	-	-	13,304
-	-	-	-	140,408
<u>944,743</u>	<u>592,834</u>	<u>80,118</u>	<u>75,466</u>	<u>1,883,867</u>
<u>962,953</u>	<u>592,834</u>	<u>80,118</u>	<u>75,466</u>	<u>2,042,485</u>
-	-	-	37,150	42,089
-	576,502	-	-	576,502
-	476	79,105	-	287,853
-	-	-	-	116,296
-	-	-	5,316	5,316
-	-	-	33,000	33,000
<u>1,059,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,266</u>
<u>1,059,266</u>	<u>576,978</u>	<u>79,105</u>	<u>75,466</u>	<u>2,120,322</u>
<u>(96,313)</u>	<u>15,856</u>	<u>1,013</u>	<u>-</u>	<u>(77,837)</u>
<u>(55,047)</u>	<u>(15,856)</u>	<u>(1,013)</u>	<u>-</u>	<u>(79,472)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,949</u>
<u>(55,047)</u>	<u>(15,856)</u>	<u>(1,013)</u>	<u>-</u>	<u>(73,523)</u>
<u>(151,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,360)</u>
<u>206,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,383</u>
<u>\$ 55,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,023</u>

(concluded)

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS

FOR THE YEAR ENDED JUNE 30, 2017

Shona Boxie	\$ 6,600
Dana Carpenter	6,000
Elaine Davis	6,000
Calvin Dees	6,000
Rosatina Johnson	<u>6,600</u>
	<u>\$ 31,200</u>

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE SUPERINTENDENT

FOR THE YEAR ENDED JUNE 30, 2017

<u>Purpose</u>	<u>Dr. Herman Brister</u>
	<u>Amount</u>
Salary	\$ 150,154
Benefits-Health insurance	-
Benefits-Retirement	50,348
Benefits-Medicare	2,177
Benefits-Life insurance	450
Benefits-Workers Comp	1,003
Car allowance	7,200
Technology Allowance	6,000
Reimbursements	3,674
Total	<u>\$ 221,006</u>

**OTHER REPORTS REQUIRED BY (GOVERNMENT AUDITING STANDARDS)
AND BY THE UNIFORM GUIDANCE**



Postlethwaite & Netterville

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A Professional Accounting Corporation

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Baker School System (the School System) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weakness, noted as item 2017-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, noted as items 2017-002 and 2017-003.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-004.

City of Baker School System's Response to Findings

City of Baker School System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville
Baton Rouge, Louisiana
January 29, 2018



Postlethwaite & Netterville

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A Professional Accounting Corporation

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Baker School System's (the School System) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School System'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School System's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Baker School System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major federal program is not modified with respect to this matter.

City of Baker School System's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Baker School System's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2017-005 that we consider to be a significant deficiency.

The School System's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's response was not subjected to the auditing procedures applied in our audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 29, 2018

CITY OF BAKER SCHOOL SYSTEM
Baker, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Name	Project Number	CFDA Number	Expenditures 2017
UNITED STATES DEPARTMENT OF AGRICULTURE			
Pass-through program from Louisiana Department of Agriculture and Forestry:			
Food Distribution - Commodities	NA	10.555 ³	\$ 71,756
Pass-through program from Louisiana Department of Education:			
School Lunch Program	NA	10.555 ³	618,109
School Breakfast Program	NA	10.553 ³	240,376
Summer Feeding	NA	10.559 ³	14,502
Total Department of Agriculture and Forestry			944,743
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
Pass-through the Governor's Office of Homeland Security and Emergency Preparedness:			
Disaster Grants - Public Assistance	LA-4277	97.036	3,960,061
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through program from Louisiana Department of Education:			
LA-4 Federal TANF	28-17-36-68	93.558	70,113
Jobs for Americas Graduates (JAG)	28-17-JS-68	93.558	10,005
	<i>Subtotal CFDA No. 93.558</i>		80,118
UNITED STATES DEPARTMENT OF EDUCATION			
Pass-through program from Louisiana Department of Education:			
Title I Regular Project	28-17-T1-68	84.010A ¹	795,887
Title I School Improvement Professional Development	28-15-TA-68	84.010A ¹	537
Believe and Prepare - Cohort 3 - 1003a	28-16-RD1-68	84.010A ¹	34,339
	<i>Subtotal CFDA No. 84.010A</i>		830,763
IDEA - Special Education Regular Project	28-17-B1-68	84.027A ²	491,981
High Cost Services IDEA	28-17-RH-68	84.027A ²	32,487
JAG Aim High!	28-17-JP-68	84.027A ²	58,993
	<i>Subtotal CFDA No. 84.027A</i>		583,461
Special Education Preschool Project	28-17-P1-68	84.173A ²	9,373
Vocational Education - Carl Perkins	28-17-02-68	84.048A	16,036
Title II, Part A, Teacher and Principal Training and Recruiting	28-17-50-68	84.367A	174,670
Title I SIG 1003G Round 6 Believe and Succeed	28-16-BE-68	84.377A	13,500
Project SERV	28-17-pv-68	84.184S	75,466
Total Department of Education			1,703,269
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,688,191

¹ Title I Part A Cluster	\$ 830,763
² Special Education Cluster	\$ 592,834
³ Child Nutrition Cluster	\$ 944,743

CITY OF BAKER SCHOOL SYSTEM

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Baker School System and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, *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 – NON-MONETARY ASSISTANCE

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the organization had food commodities totaling \$21,850 in inventory. Commodities received and used during the period ended June 30, 2017 totaled \$8,908.

NOTE C – DE MINIMUS COST RATE

During the year ended June 30, 2017, the City of Baker School System did not elect to use the 10% de minimus cost rate as covered in §200.414 of the Uniform Guidance.

NOTE D – AMOUNTS PASSED THROUGH TO SUB-RECIPIENTS

During the year ended June 30, 2017, the City of Baker School System did not pass through any federal funding to sub-recipients.

NOTE E – RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

As revenues for federal programs are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenue reported. See below for reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) to the basic financial statements:

Total expenditures of federal awards - SEFA	\$ 6,688,191
2016 Flood FEMA revenue recorded for projects not obligated as of 6/30/2017	<u>22,102</u>
Federal grants revenues reported on the basic financial statements	<u>\$ 6,710,293</u>

CITY OF BAKER SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted?

 x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? x yes none reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR §200.516(a)?

 x yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance
84.010A	Title I Grants to Local Educational Agencies

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.
- The City of Baker School System did not qualify as a low-risk auditee.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit

2017 – 001 Reconciliation of Accounts and Financial Statement Preparation

- Criteria: A system of internal controls over financial reporting should be established to ensure that policies and procedures exist over the School System's ability to initiate, record, process, and report financial data consistent with the assertions embodied in the annual financial statements, which for the School System, is that the financial statements are prepared in accordance with generally accepted accounting principles (GAAP); as well as, reconciliations of key balance sheet accounts in the general ledger to supporting information and schedules.
- Condition: We assisted management in drafting the year-end financial statements, related note disclosures, and the schedule of federal awards required for the year-end financial reporting and the recording of the transactions to reconcile certain asset and liability accounts at year-end. A working trial balance and general ledger support were provided to assist in this preparation. However, during our audit we noted that several balance sheet accounts required adjustment in order for them to properly reflect end of year balances. This included the following accounts: cash, accounts receivable, inventory, accounts payable, salaries payable, due to and from other funds, and fund balance. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by the School Board's personnel is not sufficient. *This condition is a repeat finding from the prior year. See Prior Year Finding 2016-001.*
- Cause: The lack of staff at the administration office to allow the finance department to prepare reconciliations on a regular basis.
- Effect: The School System did not reconcile cash, accounts receivable, inventory, accounts payable, salaries and related benefits payable, due to/from other funds, and fund balance to supporting documents during the year. The lack of reconciliation caused not only the balance sheet to be materially misstated throughout the year, but the related expenditures and net income for several funds, including the General Fund, were misstated. Adjustments had to be provided to the School System after year end in order to properly state the account balances. Management and the Board cannot properly oversee the financial condition of the School System without proper financial reporting.
- Recommendation: The School System should ensure properly trained staffing is maintained to complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with *Governmental Auditing Standards*.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit (continued)

2017 – 001 Reconciliation of Accounts and Financial Statement Preparation (continued)

View of Responsible Official:

The City of Baker School Board executed a RIF in efforts to rebuild the district's fund balance. Acknowledging that some key positions were needed, finance staff positions were reinstated. The School Board will ensure that staffing is maintained to complete year-end close out procedures on a timely basis and to allow sufficient time for the auditors to complete their procedures in accordance with Governmental Auditing Standards.

2017 – 002 School Activity Funds

Criteria: Internal controls over cash collections and cash disbursements for school activity funds have been established by the School System. The controls over cash collections include segregation of duties, the use of ticketed receipt books, daily deposits, and reconciliations of those deposits to a "teacher collection log" which is maintained daily by each teacher/sponsor and submitted to the school office. This log is used in the reconciliation process of the daily deposits made by each school. The controls over cash disbursements include an approved purchase requisition form and approved check request form.

Condition: While testing internal controls over the school activity funds maintained at Park Ridge Academic Magnet School, we noted that in a sample of 19 cash deposits totaling \$26,636, the school was unable to provide the pre-numbered receipts to agree to the amount deposited. The use of the pre-numbered receipt book was not required to be used and a reconciliation of the deposits to the teacher collection log not performed. In addition, in a sample of 17 cash disbursements totaling \$12,353, the school had no approved purchase requisitions and check request forms were incomplete. The established internal controls over the collection and use of these funds were not being followed by school personnel.

Cause: The condition is a result of the lack of timely oversight by school administration and appropriate training of school personnel.

Effect: Without proper internal controls over the cash collections and disbursements at each school, there is an opportunity for misappropriation of these funds which may go undetected and result in a loss of school funds.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit (continued)

2017 – 002 School Activity Funds (continued)

Recommendation: The School System should ensure school personnel are adequately trained. In addition, we recommend that procedures are established to ensure timely oversight by central office personnel, findings, if identified by administration, communicated and recommendations addressed by school administrative staff timely. The School System should also review its current policies and procedures to address accountability and consequences for lack of adherence to established policies.

View of Responsible Official:

The City of Baker School Board has introduced ongoing training for staff responsible for Student Activity Funds. Additionally, the City of Baker School Board Finance Department has implemented procedures to monitor Student Activity Funds more frequently allowing more timely oversight of Student Activity Funds' records to identify deficiencies and communicate recommendations to school administration more timely. The City of Baker School Board will also review the current policies and procedures for Student Activity Funds to address accountability and consequences for lack of adherence to established policies.

2017-003 Compensated Absences

Criteria: The School System should have controls in place to ensure the calculation of the compensated absences' liability is accurate.

Condition: The compensated absence liability is calculated manually on an annual basis by an individual in the accounting department with a limited review by the business manager. While testing the employee balances which comprise this liability, we noted that there was an individual employee who was duplicated and for another employee the hours used in the calculation was the actual hours earned.

Cause: The current process in place to review the calculation of the compensated absence liability is not detailed enough to prevent the detection of errors in the calculation of the compensated absences liability at year end.

Effect: Although the errors noted did not result in a material difference from the amount recorded for the compensated absences liability to the audited balance, the lack of sufficient controls could result in larger errors in the future.

Recommendation: The School System should designate an individual from the accounting department to perform a detailed review of the compensated absences liability schedule to ensure each employee's data is accurately calculated.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit (continued)

2017 - 003 Compensated Absences (continued)

View of Responsible Official:

Staff have been designated and trained to perform a detailed review of the compensated absences liability schedule to ensure each employee's data is accurately calculated. Additionally, the School System's software provider is in the process of developing a computer program to automate the Compensated Absence Report.

2017 - 004 Non-compliance with State Audit Law

- Criteria: In accordance with R.S. 24:513, any local auditee that receives \$500,000 or more in revenues and other sources in any one fiscal year shall be audited annually. The due date of the audit report is six months after the agency's fiscal year end.
- Condition: The School System was required to have an audit completed by the filing of December 31, 2017 (six months after its fiscal year end) and the School System did not meet this filing deadline.
- Cause: Lack of sufficient resources to oversee the final financial close out procedures of the accounting records in a timely manner resulted in the above condition and non-compliance.
- Effect: The School System has been placed on the non-compliance list maintained by the Louisiana Legislative Auditor due to not completing and filing of the audited financial statements by the due date. In addition, R.S. 39:72.1 prohibits the payment of funds appropriated to an agency that is not in compliance with the State Audit Law. The district attorney is also notified, and agency officials may be required to explain to the Legislative Audit Advisory Council why they are not in compliance with the audit law.
- Recommendation: The School System should ensure proper trained staffing is maintained to complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with *Government Auditing Standards* and meet future deadlines.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit (continued)

2017 - 004 Non-compliance with State Audit Law (continued)

View of Responsible Official:

The School System will maintain trained staff to complete year-end close-out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with Government Auditing Standards and meet future deadlines.

C. Findings – Major Federal Award Programs

2017 - 005 Special Tests and Provisions – Private School Participation

CFDA # 84.010A - Title I Grants to Local Educational Agencies

Questioned Costs: None.

Criteria: The Uniform Guidance requires that a system of internal controls be in place to ensure the School System’s compliance with applicable direct and material areas of compliance, including special tests and provisions.

In accordance with compliance requirements for Title I, Part A (CFDA 84.010), an LEA, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Determine whether (1) the LEA, SEA, or other agency receiving ESEA funds has conducted timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children, (2) the planned services were provided, and (3) the required amount was used for private school children.

Universe/

Population Size: All (3) private schools within the Baker School District.

Sample Size: Not applicable.

Condition(s): Per review of communications between the School System and the private schools, the date of notification to the private schools was not done in a timely manner and did not allow the private school a reasonable amount of time to respond which resulted in a denial in their request for participation in the program.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

C. Findings – Major Federal Award Programs (continued)

2017 - 005 Special Tests and Provisions – Private School Participation (continued)

Cause: There was a lack of internal controls over private school participation requirements to ensure that the private school notifications were sent timely.

Effect: The private schools were not allowed to participate in Title I funding due to not being given sufficient time to respond to the School System. This results in noncompliance of private school participation in Title I funding.

Recommendation: The School System should establish internal controls to ensure that the private school notifications are sent out timely and appropriately train staff on these procedures to avoid future noncompliance.

Repeat Finding: No.

View of Responsible Official:

The School System has implemented procedures to ensure that the private school notifications are sent out timely and has trained staff on those procedures to avoid future noncompliance.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit

2016 – 001 Reconciliation of Accounts and Financial Statement Preparation

- Criteria: A system of internal controls over financial reporting should be established to ensure that policies and procedures exist over the School System's ability to initiate, record, process, and report financial data consistent with the assertions embodied in the annual financial statements, which for the School System, is that the financial statements are prepared in accordance with generally accepted accounting principles (GAAP); as well as, reconciliations of key balance sheet accounts in the general ledger to supporting information and schedules.
- Condition: We assisted management in drafting the year-end financial statements, related note disclosures, and the schedule of federal awards required for the year-end financial reporting and the recording of the transactions to reconcile certain asset and liability accounts at year-end. A working trial balance and general ledger support were provided to assist in this preparation. However, during our audit we noted that several balance sheet accounts required adjustment in order for them to properly reflect end of year balances. This included the following accounts: accounts payable, salaries payable, due to and from other funds, and fund balance. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by the School Board's personnel is not sufficient. ***This condition is a repeat finding from the prior year.***
- Cause: The lack of staff at the administration office to allow the finance department to prepare reconciliations on a regular basis.
- Effect: The School System did not reconcile accounts payable, salaries and related benefits payable, due to/from other funds, and fund balance to supporting documents during the year. The lack of reconciliation caused not only the balance sheet to be materially misstated throughout the year, but the related expenditures and net income for several funds, including the General Fund, were misstated. Adjustments had to be provided to the School System after year end in order to properly state the account balances. Management and the Board cannot properly oversee the financial condition of the School System without proper financial reporting.
- Recommendation: The School System should ensure properly trained staffing is maintained to complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with *Governmental Auditing Standards*.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit (continued)

2016 – 001 Reconciliation of Accounts and Financial Statement Preparation (continued)

Updated Status:

This finding is repeated in the current year as finding 2017-001.

2016 – 002 Reporting of Theft to the Louisiana Legislative Auditor

Criteria: In accordance with La R.S. 24:523, state and local governments and quasi-public agencies are required to immediately report, in writing, to the Legislative Auditor and district attorney, any misappropriation of public funds or resources.

Condition: In December 2015, there was a school burglary and theft of cash of approximately \$300 from game and food concession sales at Baker High School. Although the police were notified, and the funds ultimately recovered, the School System did not notify the Legislative Auditor in writing as required by state regulations.

Cause: Management was unaware of the requirement to notify the Legislative Auditor of such a theft.

Effect: The School System is not in compliance with state law.

Recommendation: The School System should ensure properly trained staffing is maintained to comply with state laws and regulations.

Updated Status:

This matter has been resolved.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

C. Findings – Major Federal Award Programs

2016 - 003 Allowable Costs/Cash Management

CFDA # 84.010 - Title I Grants to Local Education Agencies

- Criteria: Internal controls over reimbursement requests should be in place to ensure all funds requested for reimbursement are supported with appropriate documentation and are approved by a member of management that is not involved with the preparation of the reimbursement requests. Furthermore, Uniform Guidance requires expenditures to be adequately documented in order to be considered allowable costs.
- Universe: All 12 reimbursement requests submitted to the Louisiana Department of Education for allowable costs under the grant award.
- Condition(s): Supporting documentation could not be provided in full for 3 out of 12 reimbursement requests tested, with a total difference between the requested funds and supporting documentation of \$28,931. The School System should retain supporting documents for each request that reconciles to the total funds received. For 1 out of 12 reimbursement requests tested, the School System was unable to provide documented evidence of the Superintendent's signature of approval indicating the request was approved prior to submission.
- Cause: The turnover of staff at the administration office to allow the finance department to prepare proper supporting documentation and to maintain documentation of the Superintendent's approval.
- Effect: Inaccurate reporting and lack of accounting records related to reimbursement requests may result in material noncompliance with federal cash management laws. Inaccurate reporting and lack of accounting records related to reimbursement requests may result in material noncompliance with federal cash management laws. In addition, a lack of segregation of duties increases the risk of misappropriation of assets.
- Questioned Costs: \$28,931
- Recommendation: The School System should consider providing additional training to personnel of functions related to Title I reimbursements and remind them of the importance of following established procedures to ensure proper internal controls to avoid noncompliance.

CITY OF BAKER SCHOOL SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

C. Findings – Major Federal Award Programs (continued)

2016 - 003 Allowable Costs/Cash Management (continued)

Updated Status:

This matter has been resolved.

2016 - 004 Suspension and Debarment

CFDA 84.0 0 - Title I Grants to Local Education Agencies
CFDA # 10.553, 10.555, 10.559 - Child Nutrition Cluster

Criteria: Uniform Guidance requires that for all contracts over \$25,000, the School System must verify that the vendor with whom the School System intends to do business is not excluded or debarred from contracting with the federal government by checking the sam.gov website or ensuring representations from each vendor is part of their executed contract on an annual basis.

Condition(s): Management did not document their review of the sam.gov website or have contracts updated annually for the potential of vendors being suspended or debarred. However, testing of compliance did not identify any vendors who were suspended or debarred.

Cause: A lack of documentation of the processes used in ensuring compliance with the federal requirement over suspension and debarment and a lack of written internal controls is the main cause of the above condition.

Effect: Without proper documentation of performance of a control, others, such as auditors, are unable to verify the procedure has been performed.

Questioned Costs: \$0

Recommendation: The School System should document the results of its annual search of the sam.gov website for all of its vendors or obtain updated contracts with the appropriate clause regarding representations of each being not suspended or debarred from contracting with the federal government.

Updated Status:

This matter has been resolved.

OTHER INFORMATION

**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

To the Members of the
City of Baker School System
and the Louisiana Legislative Auditor

Page 1 of 5

We have performed the procedures enumerated below, which were agreed to by the management of City of Baker School System, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the City of Baker School System for the fiscal year ended June 30, 2017; 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, in compliance with Louisiana Revised Statute 24:514.1. Management of the City of Baker School System is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated 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 performance and statistical data and are as follows:

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

Procedure #1:

We selected a 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 and to school board supporting payroll records as of October 1st.

Results of Procedure #2:

No differences were noted between the number of full-time classroom teachers per schedule 4 and schedule 2, nor between the schedules and the October 1st payroll records.

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 and to school board supporting payroll records as of October 1st.

Results of Procedure #3

No differences were noted between the number of principals and assistant principals per schedule 4 and schedule 2, nor between the schedules and the October 1st payroll records.

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 sample of 25 teachers to the individual’s personnel file and determined 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.

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 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Results of Procedure #5:

We noted no discrepancies between the schools as listed in the National School Lunch Program application and the list supporting the schools represented in the schedule.

Experience of Public Principals, Assistant 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 1st and as reported on the schedule and traced the same sample used in procedure #4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Results of Procedure #6:

In our sample of 25 employees, the experience levels of the principals and assistant principals on the aforementioned listing agreed to the schedule.

Public School Staff Data: Average Salaries (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 equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Results of Procedure #7:

In our sample of 25, we noted 2 exceptions for which salaries per the schedule did not include the teachers' total compensation per the personnel file and payroll reports. The differences are as follows:

Salary per Schedule	Salary per Payroll report	Difference
\$41,548	\$42,541	\$993
\$39,782	\$44,528	\$4,746

Procedure #8

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

Results of Procedure #8:

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

Class Size Characteristics (Schedule 6)

Procedure #9

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

Results of Procedure #9

Of the 10 classes selected, we noted one roll book that could not be located. We also noted the following differences in 7 classes between the roll book counts and the number reported in Schedule 6:

Number of Students Reported	Roll Book Counts	Difference
28	32	4
20	21	1
30	31	1
29	31	2
24	32	8
20	26	6
31	18	13

Louisiana Educational Assessment Program (LEAP) (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 City of Baker School System.

Results of Procedure #10:

No differences were noted.

The Graduation Exit Exam (Schedule 8)

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

The iLeap Tests (Schedule 9)

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 City of Baker School System.

Results of Procedure #11

No differences were noted.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. 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 City of Baker School System 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
January 29, 2018

CITY OF BAKER SCHOOL SYSTEM
BAKER, LOUISIANA

DESCRIPTION OF SCHEDULES

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

As of and for the Year Ended June 30, 2017

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 principals 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 Principals, Assistant Principals, 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: Average Salaries

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 3, 4, 5, 6, 7 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 - The Graduation Exit Exam

The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

Schedule 9 - The iLEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 4, 5, 6, 7 and 8 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.

CITY OF BAKER SCHOOL SYSTEM
PERFORMANCE AND STATISTICAL DATA

**City of Baker School Board
Baker, Louisiana**

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2017**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$3,322,529	
Other Instructional Staff Activities	\$1,124,665	
Instructional Staff Employee Benefits	\$1,843,225	
Purchased Professional and Technical Services	\$20,330	
Instructional Materials and Supplies	\$175,506	
Instructional Equipment	\$0	
Total Teacher and Student Interaction Activities	\$0	\$6,486,254
Other Instructional Activities		\$184,805
Pupil Support Activities	\$805,572	
Less: Equipment for Pupil Support Activities	\$0	
Net Pupil Support Activities	\$0	\$805,572
Instructional Staff Services	\$456,250	
Less: Equipment for Instructional Staff Services	\$0	
Net Instructional Staff Services	\$0	\$456,250
School Administration		
Less: Equipment for School Administration	\$1,275,312	
Net School Administration	\$0	\$1,275,312
Total General Fund Instructional Expenditures (Total of Column B)		\$9,208,192
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$19,885
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		\$214,017
Renewable Ad Valorem Tax		\$1,635,092
Debt Service Ad Valorem Tax		\$0
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		\$45,347
Sales and Use Taxes		\$3,749,529
Total Local Taxation Revenue		\$5,643,986
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		\$0
Earnings from Other Real Property		\$0
Total Local Earnings on Investment in Real Property		\$0
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		\$42,389
Revenue Sharing - Other Taxes		\$0
Revenue Sharing - Excess Portion		\$0
Other Revenue in Lieu of Taxes		\$0
Total State Revenue in Lieu of Taxes		\$42,389
Nonpublic Textbook Revenue		\$5,231
Nonpublic Transportation Revenue		\$0

**City of Baker School Board
Baker, Louisiana**

**Education Levels of Public School Staff
As of October 1, 2016**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	2	3%	0	0%	0	0%	0	0%
Bachelor's Degree	31	48%	1	33%	0	0%	0	0%
Master's Degree	19	30%	2	67%	5	63%	0	0%
Master's Degree + 30	9	14%	0	0%	2	25%	0	0%
Specialist in Education	0	0.00%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	3	4.69%	0	0%	1	13%	0	0%
Total	64	100%	3	100%	8	100%	0	0%

**City of Baker School Board
Baker, Louisiana**

**Number and Type of Public Schools
For the Year Ended June 30, 2017**

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

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

**City of Baker School Board
Baker, Louisiana**

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2016**

	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	0	1	2	0	3
Principals	0	0	0	1	2	0	2	5
Classroom Teachers	9	7	16	5	7	4	19	67
Total	9	7	16	6	10	6	21	75

City of Baker School Board
Baker, Louisiana

Public School Staff Data: Average Salaries
For the Year Ended June 30, 2017

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$44,746.00	\$44,221.00
Average Classroom Teachers' Salary Excluding Extra Compensation	\$43,622.00	\$43,137.00
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	76.115646	73.115646

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**City of Baker School Board
Baker, Louisiana**

**Class Size Characteristics
As of October 1, 2016**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	45.7%	86	11.7%	22	39.9%	75	2.7%	5
Elementary Activity Classes	46.9%	15	12.5%	4	28.1%	9	12.5%	4
Middle/Jr. High	40.4%	36	42.7%	38	15.7%	14	1.1%	1
Middle/Jr. High Activity Classes	62.1%	18	13.8%	4	13.8%	4	10.3%	3
High	52.8%	102	24.4%	47	21.8%	42	1.0%	2
High Activity Classes	64.1%	25	20.5%	8	15.4%	6	0.0%	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.

Louisiana Educational Assessment Program (LEAP)
 For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2	1	1	1	2	8
Mastery	22	27	18	12	40	36
Basic	24	29	26	31	31	23
Approaching Basic	26	27	23	32	20	24
Unsatisfactory	26	16	32	24	7	9
Total	100	100	100	100	100	100

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	4	1	1	5	1
Mastery	27	33	19	31	33	28
Basic	30	28	43	29	23	33
Approaching Basic	18	16	25	28	21	31
Unsatisfactory	24	19	12	11	18	7
Total	100	100	100	100	100	100

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	1	4	1
Mastery	13	23	23	11	22	11
Basic	40	34	35	32	37	32
Approaching Basic	31	37	28	34	26	48
Unsatisfactory	15	5	13	22	11	8
Total	100	100	100	100	100	100

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	2	1	1	1	1
Mastery	10	20	15	2	4	3
Basic	19	46	34	21	24	23
Approaching Basic	46	19	33	49	45	47
Unsatisfactory	24	13	17	27	26	26
Total	100	100	100	100	100	100

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	6	1	1	1	1
Mastery	16	13	16	4	7	7
Basic	26	23	26	29	19	27
Approaching Basic	40	31	32	38	48	44
Unsatisfactory	17	27	25	28	25	21
Total	100	100	100	100	100	100

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3	2	1	1	1	1
Mastery	11	14	14	3	3	9
Basic	31	30	33	9	17	17
Approaching Basic	35	31	32	48	29	34
Unsatisfactory	20	23	20	39	50	39
Total	100	100	100	100	100	100

City of Baker School Board
Baker, Louisiana

Graduation Exit Examination (GEE)
For the Year Ended June 30, 2017

The Graduation Exit Examination is no longer administered.
This schedule is no longer applicable.

iLEAP Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	2	2	N/A	N/A	1
Mastery	5	19	8	N/A	N/A	7
Basic	41	37	39	N/A	N/A	44
Approaching Basic	35	26	27	N/A	N/A	24
Unsatisfactory	18	16	24	N/A	N/A	24
Total	100	100	100	N/A	N/A	100

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	4	1	N/A	N/A	1
Mastery	16	22	12	N/A	N/A	12
Basic	47	40	44	N/A	N/A	46
Approaching Basic	20	16	29	N/A	N/A	25
Unsatisfactory	16	18	14	N/A	N/A	16
Total	100	100	100	N/A	N/A	100

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	N/A	1
Mastery	8	3	6	N/A	N/A	5
Basic	36	29	33	N/A	N/A	52
Approaching Basic	31	33	37	N/A	N/A	20
Unsatisfactory	24	34	23	N/A	N/A	22
Total	100	100	100	N/A	N/A	100

iLEAP Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	N/A	1
Mastery	7	3	3	N/A	N/A	1
Basic	20	35	33	N/A	N/A	24
Approaching Basic	41	37	34	N/A	N/A	36
Unsatisfactory	31	24	29	N/A	N/A	38
Total	100	100	100	N/A	N/A	100

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	N/A	1
Mastery	9	7	3	N/A	N/A	4
Basic	31	20	26	N/A	N/A	38
Approaching Basic	35	34	40	N/A	N/A	36
Unsatisfactory	24	38	30	N/A	N/A	21
Total	100	100	100	N/A	N/A	100

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	N/A	1
Mastery	2	3	2	N/A	N/A	2
Basic	19	19	22	N/A	N/A	26
Approaching Basic	40	30	40	N/A	N/A	42
Unsatisfactory	38	47	35	N/A	N/A	29
Total	100	100	100	N/A	N/A	100

N/A - Starting in 2015-2016 a Social Studies field test was administered in place of the operational Social Studies test.

CITY OF BAKER SCHOOL SYSTEM

REPORT TO MANAGEMENT

JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

January 29, 2018

Members of the Board and Management
City of Baker School System
Baker, Louisiana

In planning and performing our audit of the financial statements of the City of Baker School System (the School System) for the year ended June 30, 2017, we considered the School System's internal controls and compliance with laws and regulations having a material effect on financial reporting in order 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 or on compliance.

However, during our audit, we became aware of the following matters that are opportunities for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated January 29, 2018 on the financial statements of the School System.

A. School Activity Fund Account Reconciliation

Condition:

During the performance of our audit procedures, we noted the school activity account reconciliation to the checking account for Baker High School, was performed and reviewed; however, the ending balance shown on the reconciliation did not agree to the year-end bank statement amount.

Recommendation:

We recommend a more detailed review of the reconciliation to ensure agreement with the year-end balances to the bank statements.

B. Approval of positions not included on Approved Salary Schedule

Condition:

During the performance of our audit procedures, we noted the School System created a position which was not included on the approved salary schedule. The position's salary was calculated based on a method received from another School system. However, the City of Baker School System does not a policy established for this type of instance.



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B. Approval of positions not included on Approved Salary Schedule

Recommendation:

Any position aside from the approved salary schedule should be approved by the Board. We recommend the School Board adopt a policy for positions created aside from the approved salary schedule or the School Board to approve adding the position to the salary schedule.

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

This letter is intended solely for the information and use of the School System, management of the School System and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite & Netterville



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CITY OF BAKER SCHOOL SYSTEM

www.bakerschools.org

Herman Brister, Ed.D., Superintendent

**Corrective Action Plan for Audit Findings and Report to Management for Audit
period of July 1, 2016 through June 30, 2017**

Board Members

Elaine G. Davis
Vice President
District 1

Dana Carpenter,
Ph.D.
President
District 2

Rosatina Johnson
District 3

Shona P. Boxie
District 4

Calvin Dees, Sr.
District 5

January 30, 2018

Submitted To:

Mrs. Tiffani Dorsa, CPA
Audit Director
Postlethwaite and Netterville
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

City of Baker School Board respectively submits the following correction action plan for the year ended June 30, 2017 for the corrective actions implemented:

RESPONSE TO FINDINGS:

2017-001

Response: The City of Baker School Board executed a RIF in efforts to rebuild the district's fund balance. Acknowledging that some key positions were needed, finance staff positions were reinstated. The school board will ensure that staffing is maintained to complete year-end close out procedures on a timely basis and to allow sufficient time for the auditor to complete their procedures in accordance with Governmental Auditing Stand Procedures.

2017-002

Response: City of Baker School Board has introduced ongoing training for staff responsible for Student Activity Funds. Additionally, City of Baker School Board Finance Department has implemented procedures to monitor Student Activity Funds more frequently allowing more timely oversight of Student Activity Funds records to identify deficiencies and communicate recommendations to school administration more timely. City of Baker School Board will also review the current policies and procedures for Student Activity Funds to address accountability and consequences for lack of adherence to established policies.

2017-003

Response: Staff have been designated and trained to perform a detailed, review of the compensated absences liability schedule to ensure each employee's data is accurately calculated; additionally, the School System's software provider is in the process of developing a computer program to automate the Compensated Absence Report.

2017-004

Response: The School System will maintain trained staff to complete year-end close-out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with Government Auditing Standards and meet future deadlines.

2017-005

Response: The School System has implemented procedures to ensure that the private school notifications are sent out timely and has trained staff on those procedures to avoid future noncompliance.

REPORT TO MANAGEMENT RESPONSES

Management Letter – ML-A

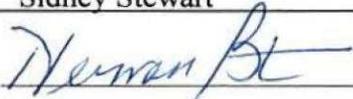
Detailed reviews of student activity fund accounts are performed monthly. Any discrepancies in balances are researched and corrected to ensure agreement with bank balances.

Management Letter – ML-B

The school district will devise and adopt a policy for approving salaries aside from the approved salary schedule. All newly created positions, job descriptions, and salaries are presented to the board for approval before such positions are occupied.

Prepared by: Sidney Stewart

Date: 01/30/2018

Approved by: 

Date: 01/30/2018

CITY OF BAKER SCHOOL SYSTEM

STATEWIDE AGREED-UPON PROCEDURES

FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2017



Postlethwaite & Netterville

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8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax

A Professional Accounting Corporation

**Independent Accountants' Report
On Applying Agreed-Upon Procedures
For the Year Ended 2017**

The Members of the
City of Baker School System
And the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City of Baker School System (the School System) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The School System's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "no exception noted". If not, then a description of the exception ensues.

Written Policies and Procedures

1. Obtain the School System's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the School System does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The School System's Budgeting Policy does not address monitoring.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list. (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

The School System's Purchasing Policy does not address the controls that are in place to ensure compliance with Public Bid Law.

c) **Disbursements**, including processing, reviewing, and approving.

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits.

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review (4) approval process, and (5) monitoring process

The School System's Contract Policy does not address standard terms and conditions, legal review, or a monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

The School System does not have a written policy over credit cards which addresses how cards are controlled, allowable business uses, documentation required, required approvers and monitoring of card usage.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees including elected officials annually attest through signature verification that they have read the School System's ethics policy.

No exceptions noted.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The School System does not have a written policy regarding debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions noted.



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- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes did not include monthly budget-to-actual comparisons on the School System's major funds.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No exceptions noted.

- 4. Using the listing provided by management, select all of the School System's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;

No exceptions noted.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

For three bank accounts that had outstanding items older than 6 months, there was no documentation reflecting management researching those reconciling items.



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Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No exceptions noted. A listing of 10 cash collection locations was provided.

6. Using the listing provided by management, select all of the School System's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a. Obtain existing documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is 1) bonded, 2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by a board member or an outside party) and 3) not required to share the same cash register or drawer.

For four of the four selected locations the person collecting the cash is responsible for depositing the cash in the bank. For two of the four selected locations, the person collecting the cash is also responsible for recording the related transaction and reconciling the bank account.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the School System has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash location selected.

No exceptions noted.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using School System collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day.



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Cash collection deposits subject to the above procedure results are as follows:

Location	Date of Collection	Date of deposit per bank statement	Deposits made within 1 day of receipt?	Days after receipt if exceeding 1 day
Baker High Cafeteria	9/13/2016	9/16/2016	No	3
Baker High Cafeteria	9/14/2016	9/16/2016	No	2
Baker High Cafeteria	9/23/2016	9/27/2016	No	4
Baker High Cafeteria	10/3/2016	10/12/2016	No	9
Baker High Cafeteria	10/14/2016	10/17/2016	No	3
Baker High Cafeteria	10/25/2016	10/27/2016	No	2
Baker High Cafeteria	11/1/2016	11/15/2016	No	14
Baker High School	8/10/2016	10/6/2016	No	57
Baker High School	9/1/2016	10/5/2016	No	34
Baker High School	9/2/2016	10/5/2016	No	33
Baker High School	9/9/2016	10/5/2016	No	26
Baker High School	9/14/2016	10/5/2016	No	21
Baker High School	9/16/2016	10/5/2016	No	19
Baker High School	9/16/2016	10/5/2016	No	19
Baker High School	9/18/2016	10/5/2016	No	17
Baker High School	9/20/2016	10/5/2016	No	15
Baker High School	9/20/2016	10/5/2016	No	15
Baker High School	9/21/2016	10/5/2016	No	14
Baker High School	9/23/2016	10/4/2016	No	11
Baker High School	9/26/2016	10/6/2016	No	10
Baker High School	9/27/2016	10/6/2016	No	9
Baker High School	9/29/2016	10/6/2016	No	7
Baker High School	9/30/2016	10/3/2016	No	3
Baker High School	9/30/2016	10/3/2016	No	3
Baker High School	9/30/2016	10/4/2016	No	4
Baker High School	10/4/2016	10/11/2016	No	5
Baker High School	10/6/2016	10/25/2016	No	19
Baker High School	10/11/2016	10/11/2016	No	4
Baker High School	10/11/2016	10/11/2016	No	5
Baker High School	9/27/16, 9/28/16	10/6/2016	No	9
Baker Middle Cafeteria	10/14/2016	10/17/2016	No	3
Baker Middle School	10/3/2016	10/11/2016	No	8
Baker Middle School	10/5/2016	10/11/2016	No	6

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the School System has a process specifically defined (identified as such by the School System) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

The School Board does not have a process specifically defined to determine completeness of all collections, for each revenue source and agency fund additions.



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Disbursements – Other General

8. Obtain a listing of School System disbursements from management or, alternately, obtain the general ledger and sort/filter for School System disbursements. Obtain management's representation that the listing or general ledger population is complete.

No exception noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the School System had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

No exceptions noted.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No exceptions noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order (P.O.), or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

For 1 of the 25 disbursements selected, one invoice totaling \$5,985.71 and the Accounts Payable Control Voucher totaling \$5,170.33, showing the purchase approval, did not agree by \$815.38.

10. Using School System documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the School System's purchasing/disbursement system.

The individuals responsible for processing payments are also able to add vendors to the School System's purchasing/disbursement system.

11. Using School System documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No exceptions noted.



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12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review School System documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Signed checks are not maintained under the control of the signor or authorized user until mailed.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted. A listing of 12 fuel cards was provided.

15. Using the listing prepared by management, randomly select ten cards (or at least one-third if the School System has less than ten cards that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

No exceptions noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Finance charges or late fees were assessed on all statements selected for testing due to late payments.



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16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

No exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the School System's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

c) For each transaction, compare the School System's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted.



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18. Obtain the School System's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (GSA) and report any rates that exceed the GSA rates.

No exceptions noted.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the School System does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions noted.

- c) Compare the School System's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.



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Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner or the Louisiana Legislative Auditor). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the School System complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder). *Not applicable.*
- If no, obtain supporting contract documentation and report whether the School System solicited quotes as a best practice.

Three of the five contracts selected were not subject to the bid law. In procurement of these contracts, the School System did not solicit quotes for the contracts.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No exceptions noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

No exceptions noted.



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Payroll and Personnel

22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees and:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

One employee out of 25 selected did not sign the timesheet.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

One employee out of 25 selected did not have a timesheet approved by a supervisor.

- c) Report whether there is written documentation that the School System maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

24. Obtain from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

There were 2 termination payments made during the fiscal period which were made in accordance with policies; however, no management approval was documented.



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25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

One (June 2017) out of 12 TRSL payments and related monthly reporting was not submitted to TRSL according to required deadlines.

The School System is remitting state income tax withholdings quarterly; however, based on the dollar thresholds established by the Louisiana Department of Revenue, remittance of state income tax should be done on a semi-monthly basis. Therefore, none of the state withholding tax payments were remitted on a timely basis.

Ethics

26. Using the five selected employees from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the School System maintained documentation to demonstrate that required annual ethics training was completed.

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the School System during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the School System's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No exceptions noted.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the School System, and report whether State Bond Commission approval was obtained.

No exceptions noted.

29. If the School System had outstanding debt during the fiscal period, obtain supporting documentation from the School System and report whether the School System made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No exceptions noted.



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30. If the School System had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the School System had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the School System reported the misappropriation to the legislative auditor and the district attorney of the parish in which the School System is domiciled.

No exceptions noted.

32. Observe and report whether the School System has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

Corrective Action

34. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See the attached Corrective Action Plan.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Sincerely,

January 29, 2018



**Corrective Action Plan for State-wide Agreed Upon Procedures for Audit period of
July 1, 2016 through June 30, 2017**

February 1, 2018

Board Members

Elaine G. Davis
Vice President
District 1

Dana Carpenter,
Ph.D.
President
District 2

Rosatina Johnson
District 3

Shona P. Boxie
District 4

Calvin Dees, Sr.
District 5

Submitted To:

Mrs. Tiffani Dorsa, CPA
Audit Director
Postlethwaite and Netterville
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

City of Baker School Board respectfully submits the following correction action plan for the year ended June 30, 2017 for the corrective actions implemented:

RESPONSES TO AGREED UPON PROCEDURES EXCEPTIONS

Written Policies and Procedures and Contracts

Response:

The School System concurs with the exceptions. Forethought Consulting is in the process of updating policies in alignment with operating procedures to address: Budget Monitoring, Credit Cards, and Debt Service.

The School Board's Legal Counsel reviews all contracts prior to board submission; Forethought consulting will also update the current policy to include this procedure.

Board (or Finance Committee, if applicable)

Response:

The School System presents a budget to actual comparison for its General Fund and Capital Projects Fund on a monthly basis. Other special revenue funds budget to actual comparisons are done on a very summarized level (revenues less expenditures). The procedures require that all major funds (as reported in the prior year audited financial statements) present a budget to actual comparison in a sufficient level of detail in which the budget has been prepared and adopted. The School System will effective immediately and at its next board meeting present the major funds (as identified for June 30, 2017 fiscal year end) budget to actual in a sufficient level of detail to the Board.

Bank Reconciliations

Response:

The School System will research all aged outstanding items and reissue outstanding items or submit to unclaimed property.

Collections

Response:

The School System will delegate responsibilities to allow more segregation of duties over cash collections and update the policies according to agreed upon procedures.

Disbursements – Other General

Response.

Staff will carefully review all Accounts Payable Control Vouchers to ensure that Vouchers match disbursements and restrict controls over adding vendors to the purchasing agent. The School System will update policies to conform with agreed upon procedures.

Payroll and Personnel

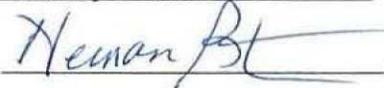
Response:

The School System will ensure that all timesheets are signed by employees and approved by the supervisor. The School System will ensure that management's approval is documented on termination payments.

The School System will ensure that all TRSL payments are submitted timely.

Prepared by: Sidney Stewart

Date: 02/1/2018

Approved by: 

Date: 02/1/2018