

CENTRAL COMMUNITY SCHOOL SYSTEM
REPORT ON REVIEW OF BASIC FINANCIAL
STATEMENTS AND REPORT ON
APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2007
BATON ROUGE, LOUISIANA

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

Release Date 11/28/07

CENTRAL COMMUNITY SCHOOL SYSTEM

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October 31, 2007

Independent Accountant's Report on the
Financial Statements

Mr. Russell Starns, President
and the Members of the School Board
Central Community School System
Baton Rouge, Louisiana

We have reviewed the accompanying financial statements of the governmental activities and the major fund (General Fund) and the budgetary comparison information of the Central Community School System as of and for the period from December 11, 2006 (date of inception) to June 30, 2007, which collectively comprise the System's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the financial statements is the representation of the management of the Central Community School System.

A review consists principally of inquiries of the Central Community School System's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,

Hannis T. Bourgeois, LL.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CENTRAL COMMUNITY SCHOOL SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD FROM DECEMBER 11, 2006 (DATE OF INCEPTION)
TO JUNE 30, 2007

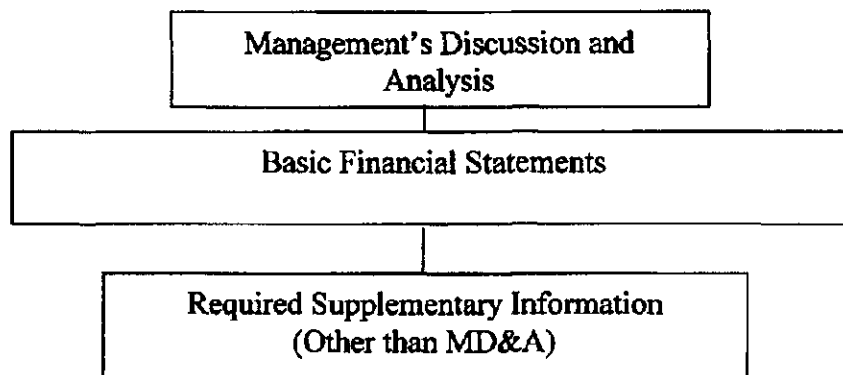
The Management's Discussion and Analysis of the Central Community School System's financial performance presents a narrative overview and analysis of Central Community School System's activities for the period from December 11, 2006 (date of inception) to June 30, 2007. Because this is the first fiscal period of the School System, this document focuses only on the current period's activities.

Financial Highlights

- The Central Community School System's assets exceeded its liabilities at the close of fiscal year 2007 by \$124,541.
- At the end of the fiscal year, 2007 revenues exceeded expenses by \$124,541.

Overview of the Financial Statements

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



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 Other 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 private sector business.

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

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

Both of the government-wide financial statements present functions of the School System that are principally supported by taxes and intergovernmental revenues (governmental activities), but for the period ended June 30, 2007, the System was only supported by contributions. 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. In the current period, the governmental activities of the School System included support type services since activities consisted primarily of planning, organization, etc... in preparation for the 2007-2008 school year. 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. The School System only operated a governmental fund as of June 30, 2007 as described below.

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 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 and expenditures, and changes in fund balance provided a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School System prepares an annual budget for the General fund as this was the only fund maintained by the School System in the current period.

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:

Statement of Net Assets
As of June 30, 2007

Assets:	
Cash and Cash Equivalents	\$ 184,408
Capital Assets	<u>16,394</u>
Total Assets	<u>\$ 200,802</u>
Liabilities:	
Accounts Payable and Accrued Expenses	\$ 71,743
Long Term Liabilities	<u>4,518</u>
Total Liabilities	76,261
Net Assets:	
Invested in Capital Assets	16,394
Unrestricted	<u>108,147</u>
Total Net Assets	<u>124,541</u>
	<u>\$ 200,802</u>

- Cash and cash equivalents account for 92% of the total assets of the School System at June 30, 2007.
- Capital assets (reported net of accumulated depreciation), accounts for 8% of the total assets of the School System at June 30, 2007.
- Net assets invested in capital assets account for 13% of total net assets reported as of June 30, 2007.
- Unrestricted net assets accounted for 87% of total net assets.

Condensed Statement of Change in Net Assets
For the period from December 11, 2006 (date of inception) to June 30, 2007

Revenues:

General Revenues:

Contributions and Donations	\$ 358,353
Interest and Investment Earnings	<u>714</u>
	359,067

Expenses:

Student Services	8,179
Instructional Staff Support	18,840
General Administration	131,941
Business Services	29,040
Plant Services	6,827
Central Services	<u>39,699</u>
	234,526

Excess of Revenues over Expenses	<u><u>\$ 124,541</u></u>
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Change in Net Assets

- The 2007 fiscal year is the first year of existence for the Central Community School System.
- The Central Community School System as of June 30, 2007 had not started to collect sales tax revenue or property tax revenue. This will begin to accrue to the System July 1, 2007.
- All revenue generated for the 2007 fiscal year was generated by community donations and fund raisers.

CAPITAL ASSETS

At July 30, 2007, the Central Community School System had \$16,693 invested in capital assets. This amount was made up of equipment and fixtures.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

- Contributions and donations were relatively higher than the budgeted amounts.
- Expenses were less than expected but within a reasonable range of the original budget.
- The amount originally budgeted for loan proceeds were not utilized because this amount was not needed. This resulted from the higher than expected fund raisers contributions and community donations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS.

The Central Community School System's appointed officials considered the following factors and indicators when adopting next year's budget. These factors and indicators include:

- Property tax millages will be the same as that collected by the East Baton Rouge School System and will begin to accrue to the Central Community School System July 1, 2007.
- Sales tax revenues are expected to remain constant and also begin to accrue to the Central System July 1, 2007.
- Initial starts up costs associated with the first year of existence are expected to level off.
- The School System will begin to receive federal and state grants to fund many of its special programs.
- The School System expects significant enrollment growth which will provide additional revenues by means of increased MFP funding but will also produce additional expenditures and will force the School System to *explore expanding or replacing existing facilities.*

CONTACTING THE CENTRAL COMMUNITY SCHOOL SYSTEM'S MANAGEMENT

This Financial Report is designed to provide a general overview of the School Board's Finances for those with an interest in the government's financial position and operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. Michael Faulk, Superintendent, Central Community School System, Post Office Box 78094, Baton Rouge, Louisiana 70837.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOL SYSTEM

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

Cash and Cash Equivalents	\$ 184,408
Capital Assets (Net of Accumulated Depreciation)	<u>16,394</u>
Total Assets	<u>\$ 200,802</u>

LIABILITIES

Accounts Payable and Other Accrued Expenses	\$ 71,743
Long-Term Liabilities:	
Due Within One Year	1,130
Due in More than One Year	<u>3,388</u>
Total Liabilities	76,261

NET ASSETS

Invested in Capital Assets	16,394
Unrestricted	<u>108,147</u>
Total Net Assets	<u>124,541</u>
Total Liabilities and Net Assets	<u>\$ 200,802</u>

See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM DECEMBER 11, 2006 (DATE OF INCEPTION) TO JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
Support Services:					
Student Services	\$ 8,179	\$ -	\$ -	\$ -	\$ (8,179)
Instructional Staff Support	18,840	-	-	-	(18,840)
General Administration	131,941	-	-	-	(131,941)
Business Services	29,040	-	-	-	(29,040)
Plant Services	6,827	-	-	-	(6,827)
Central Services	39,699	-	-	-	(39,699)
Total Governmental Activities	\$ 234,526	\$ -	\$ -	\$ -	(234,526)
Grants and Contributions not Restricted to Specific Purposes:					
Contributions and Donations					358,353
Interest and Investment Earnings					714
Total General Revenues and Special Items					359,067
Change in Net Assets					124,541
Net Assets - Beginning of Period					-
Net Assets - End of Period					\$ 124,541

See accompanying notes and accountant's review report.

FUND FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOL SYSTEM

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2007

ASSETS

Cash and Cash Equivalents	\$ <u>184,408</u>
Total Assets	\$ <u><u>184,408</u></u>

LIABILITIES AND FUND BALANCE**Liabilities:**

Accounts Payable and Other Accrued Expenses	\$ <u>71,743</u>
Total Liabilities	71,743

Fund Balance:

Unreserved	<u>112,665</u>
Total Fund Balance	<u>112,665</u>
Total Liabilities and Fund Balance	\$ <u><u>184,408</u></u>

See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total Fund Balance - Governmental Fund	\$ 112,665
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Cost of Capital Assets	16,693
Less: Accumulated Depreciation	<u>(299)</u>
	16,394
Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:	
Compensated Absences	<u>(4,518)</u>
Net Assets	<u>\$ 124,541</u>

See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

FOR THE PERIOD FROM DECEMBER 11, 2006 (DATE OF INCEPTION) TO JUNE 30, 2007

Revenues:

Local Sources:

Contributions and Donations	\$	358,353
Interest Earnings		714
		359,067
Total Revenues		359,067

Expenditures:

Support Services:

Student Services		7,817
Instructional Staff Support		18,118
General Administration		146,529
Business Services		28,272
Plant Services		6,827
Central Services		38,839
		246,402

Total Expenditures		246,402
Excess of Revenues		
Over Expenditures		112,665

Fund Balance at Beginning of Period		-
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Fund Balance at End of Period	\$	112,665
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See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM DECEMBER 11, 2006 (DATE OF INCEPTION) TO JUNE 30, 2007

Total Net Change in Fund Balance - Governmental Fund	\$	112,665
Amounts Reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays		16,693
Depreciation Expense		(299)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
(Increase) Decrease in Compensated Absences Payable		(4,518)
Change in Net Assets of Governmental Activities	\$	124,541

See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND

FOR THE PERIOD FROM DECEMBER 11, 2006 (DATE OF INCEPTION) TO JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Local Sources:				
Contributions and Donations	\$ 200,000	\$ 358,000	\$ 358,353	\$ 353
Interest Earnings	-	-	714	714
Total Revenues	200,000	358,000	359,067	1,067
Expenditures:				
Support Services:				
Student Services	-	-	7,817	(7,817)
Instructional Staff Support	31,625	14,820	18,118	(3,298)
General Administration	133,274	173,789	146,529	27,260
Business Services	23,964	31,105	28,272	2,833
Plant Services	14,360	9,218	6,827	2,391
Central Services	99,318	44,866	38,839	6,027
Total Expenditures	302,541	273,798	246,402	27,396
Excess (Deficiency) of Revenues Over Expenditures	(102,541)	84,202	112,665	28,463
Other Financing Sources:				
Proceeds from Loan	105,000	-	-	-
Total Other Financing Sources	105,000	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	2,459	84,202	112,665	28,463
Fund Balance at Beginning of Period	-	-	-	-
Fund Balance at End of Period	\$ 2,459	\$ 84,202	\$ 112,665	\$ 28,463

See accompanying notes and accountant's review report.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

INTRODUCTION

The Central Community School System was created by Louisiana Revised Statute (LSA-R.S.) 17:66 on December 11, 2006 to provide public education for the children within the Central Community in East Baton Rouge Parish. The School System Board is comprised of seven members who are elected from seven districts for terms of four years and are charged with the management and operation of the Central Community School System.

For the period from December 11, 2007 (date of inception) through June 30, 2007, the School System operated as a start-up organization. Activities consisted primarily of planning, organizing, recruiting, and performance of other administrative activities in preparation for the Central Community School System's first year of operations beginning with the 2007-2008 school year. The School System will be comprised of four schools, which previously operated under the management of the East Baton Rouge Parish School Board.

(1) Summary of Significant Accounting Policies -

A. Basis of Presentation

The accompanying financial statements of the Central Community 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 standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

B. Reporting Entity

For financial reporting purposes, the School System includes all funds, schools, and agencies that are within the oversight responsibility of the School System. The oversight responsibility derived by the School System is related to its scope of public service and gives it the authority to establish public schools as it deems necessary. This oversight responsibility also allows the School System to determine the number of teachers and employees to be employed, to establish the financial interdependency of the funds, to appoint management, and to significantly influence operations and accountability for fiscal matters.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

Certain units of local government over which the School System exercises no oversight responsibility, such as the East Baton Rouge City-Parish Government, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Central Community School System.

The Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 37, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the Central Community School System for financial reporting purposes. The basic criteria are as follows:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the School System to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School System.
2. Organizations for which the School System does not appoint a voting majority but are fiscally dependent on the School System.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the School System's management has determined that there are no component units at June 30, 2007.

C. Funds

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

At June 30, 2007, the School System has only one type of fund as discussed below.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

Governmental Fund

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

General Fund - The General Fund is the general operating fund of the School System. It accounts for all financial resources, except those required to be accounted for in other funds.

D. Measurement Focus/Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the school system.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Allocation of Indirect Expenses

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. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

Fund Financial Statements (FFS)

Governmental Funds

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

Fund financial statements report detailed information about the School System. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The major fund of the School System is the General Fund.

The modified accrual basis of accounting is used by Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The Governmental Fund uses the following practices in recording revenues and expenditures:

Revenues

The primary source of revenue for the School System during the period ended June 30, 2007, was contributions and donations received from the citizens of the Central Community. These revenues are recorded when received.

Expenditures

Salaries are recorded as expenditures when earned. Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

E. Budget Practices

The School System adopts an annual budget for the General Fund.

The proposed budget for the fiscal year ended June 30, 2007, was made available for public inspection and comments from taxpayers. The budget, which included proposed expenditures and the means of financing them, was published in the official journal fifteen days prior to the public hearing on the budget. The proposed budget was legally adopted by the School System on April 16, 2007.

The budget is prepared on a modified accrual basis of accounting. All appropriations lapse at year end. Encumbrances are not recognized within the accounting records for budgetary control purposes. Formal budget integration (within the accounting records) is employed as a management control device. The superintendent of parish schools is authorized to transfer between line items within any fund. However, when actual revenues within a fund fail to meet budgeted revenues by five percent or more, a budget amendment is adopted by the School System in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budget and the subsequent amendment adopted June 27, 2007.

F. Encumbrances

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

G. Cash and Cash Equivalents

Cash and cash equivalents include interest bearing demand deposits and amounts in time deposits with maturities less than 90 days. 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. Cash and cash equivalents are stated at cost, which approximates market value.

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CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

H. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost 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. At June 30, 2007, all capital assets are valued at historical cost.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated useful 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 5 years for equipment and 7 years for furniture and fixtures.

I. Compensated Absences

All 12-month employees earn 15 days of vacation leave each year. Vacation leave can be accumulated without limitation, but must be used prior to retirement or termination.

J. Net Assets

Net assets represent the difference between assets and liabilities in the GWFS. "Net assets invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the GWFS when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

(2) Cash and Cash Equivalents -

At June 30, 2007, cash included amounts in an interest bearing demand deposit account. The carrying amount of the School System's Cash and Cash Equivalents was \$184,408 and the bank balance was \$206,064 at June 30, 2007. Cash and Cash Equivalents are stated at cost which approximates market.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School System's deposits may not be returned to it. As of June 30, 2007, \$106,064 of the School System's bank balances of \$206,064 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

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

(3) Changes in Capital Assets -

Capital asset activity for the period from December 11, 2006 (date of inception) to June 30, 2007 is as follows:

	<u>Balance</u> <u>Beginning of Period</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Governmental Activities:</u>				
Capital Assets being Depreciated:				
Furniture and Equipment	\$ -	\$ 16,693	\$ -	\$ 16,693
Total Capital Assets being Depreciated	-	16,693	-	16,693
Less: Accumulated Depreciation for:				
Furniture and Equipment	-	299	-	299
Total Accumulated Depreciation	-	299	-	299
Total Capital Assets being Depreciated, Net	\$ -	\$ 16,394	\$ -	\$ 16,394

Depreciation expense of \$299 for the period from December 11, 2006 (date of inception) to June 30, 2007 was charged to the general administration government function.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

(4) Accounts, Salaries, and Other Payables -

The payables at June 30, 2007, are as follows:

	<u>Accounts</u>	<u>Withholdings</u>	<u>Employee Benefits</u>	<u>Total</u>
General Fund	\$ 49,243	\$ 7,433	\$ 15,067	\$ 71,743

(5) Long-Term Debt -

The following is a summary of the long-term obligation transactions for the period from December 11, 2006 (date of inception) to June 30, 2007:

	<u>Compensated Absences</u>
Long-Term Obligations - Beginning of Period	\$ -
Additions	4,518
Deductions	<u>-</u>
Long-Term Obligations - June 30, 2007	<u>\$ 4,518</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2007:

Current Portion	\$ 1,130
Long-Term Portion	<u>3,388</u>
Total	<u>\$ 4,518</u>

Compensated Absences

At June 30, 2007, employees of the School System have accumulated and vested \$4,518 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

(6) Board Member Compensation -

Board members were paid no compensation for the period from December 11, 2006 (date of inception) to June 30, 2007.

(7) Defined Benefit Plans -

Plan Description - Substantially all School System employees participate in the Teachers' Retirement System, which is a cost-sharing, multiple-employer public employee retirement system. The system is administered and controlled at the State level by a separate board of trustees with contribution rates and benefit provisions approved by the Louisiana Legislature. Participation in the Teachers' Retirement System is divided into two plans - the Teachers' Regular Plan and the Teachers' Plan A. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits under each plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. This report may be obtained by writing or calling:

Teachers' Retirement System
8401 United Plaza Blvd.
P.O. Box 94123
Baton Rouge, LA 70804-9123
(225) 925-6446

Funding Policy - Contributions to the plan is 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 period from December 11, 2006 (date of inception) to June 30, 2007, for the School System and covered employees were as follows:

	<u>School System</u>	<u>Employees</u>
Teachers' Retirement System:		
Regular Plan	15.8%	8.0%

As provided by Louisiana Revised Statute 11:103, the School System's contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The contributions made to the system for the period from December 11, 2006 (date of inception) to June 30, 2007 totaled \$22,500, which substantially equaled the required contributions for the year.

CENTRAL COMMUNITY SCHOOL SYSTEM
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

(8) Litigation and Claims -

In connection with the secession of the School System from the East Baton Rouge Parish School Board, several legal issues have arisen and a lawsuit was filed by the School System after mediation efforts failed.

Central Community School System filed Petitions for Writs of Mandamus against the East Baton Rouge Parish School Board and the East Baton Rouge Parish Facilities Improvement District (collectively "EBR") seeking a court order requiring:

- (1) EBR to transfer any movable property within the geographic boundaries which has not already been transferred.
- (2) EBR to transfer 31 additional school buses.
- (3) EBR to transfer all sales and use tax payments received by EBR after July 1, 2007.
- (4) EBR to transfer the amount of funds budgeted for the construction of Central Middle School in the amount of \$18,398,333 plus any additional costs attributable to the delay of the project.
- (5) EBR to transfer the amount of the funds which would have been used for the renovation of classrooms at Bellingrath Elementary and Tanglewood Elementary.
- (6) EBR to transfer 5% of their fund balance as of June 30, 2007.

The trial on the petitions for Writ of Mandamus was held on October 22, 2007 with a judgment rendered in favor of EBR on all of the above matters. Legal counsel and management anticipate an appeal being filed.

(9) Subsequent Event -

Effective July 1, 2007, the School System began school operations. At that date, all property and sales taxes within the legally established geographical boundaries began accruing to the benefit of the School System. Additionally, ownership of all school properties was transferred as of that date.

On September 26, 2007, the School System entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority for the issuance of \$1,150,000 Series 2007 Revenue Bonds for the purpose of providing working capital. The first draw in the amount of \$750,000 was made on that date. Interest will be due quarterly (fixed at 5.28%) with all outstanding principal due at maturity on October 25, 2008. The Bond is secured by and payable solely from a pledge of the annual revenues accruing to the School System.

CENTRAL COMMUNITY SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

(10) Current Accounting Pronouncements -

In June 2004, the Government Accounting Standards Board issued GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postretirement Benefits and Other Than Pensions." This Statements' objective is to establish uniform standards of financial reporting by state and local government entities for other postemployment benefits (OPEB) including post-employment healthcare benefits. This Statement provides standards for measurement, recognition, and display of the OPEB expenses and related liabilities, note disclosures, and required supplementary information. This statement will require an actuarial valuation of the OPEB liability on at least a biennial basis. This Statement will be required to be adopted by the School System for the fiscal year ending June 30, 2010.

AGREED UPON PROCEDURES REPORT



Hannis T. Bourgeois, LLP

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October 31, 2007

Mr. Russell Starns, President
and the Members of the School Board
Central Community School System
Baton Rouge, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Central Community School System and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Central Community School System's compliance with certain laws and regulations during the period from December 11, 2006 (date of inception) to June 30, 2007, included in the accompanying *Louisiana Attestation Questionnaire*. Central Community School System's management is responsible for compliance. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year for materials and supplies exceeding \$20,000 and no expenditures were made for public works exceeding \$100,000. Therefore, the System was in compliance with the provisions of LSA-RS 38:2211-2251 (the public bid law).

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management (step 3 above) were also included on the listing obtained from management (step 2 above).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original and amended budget.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on April 16, 2007 which indicated that the budget had been unanimously adopted by the Board members. We traced the adoption of the amended budget to the minutes of a meeting held on June 27, 2007, which indicated that the amended budget had been unanimously adopted by the Board members.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

We compared the revenues and expenditures for the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- a. Trace payments to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- b. Determine if payments were properly coded to the correct fund and general ledger account.

All six of the payments were properly coded to the correct fund and general ledger account.

- c. Determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the proper authorities.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The agendas and notice of meetings appear to be in compliance with the above referenced open meetings law.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposit which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the System for the period from December 11, 2006 (date of inception) to June 30, 2007 indicated no approval for the payments noted. We also inspected disbursement records for the period from December 11, 2006 (date of inception) to June 30, 2007 and noted no instances which would indicate payment to employees which would constitute bonuses, advances, or gifts.

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

This report is intended solely for the use of management of the Central Community 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.

Respectfully submitted,

Harris T. Bourgeois, III

LOUISIANA ATTESTATION QUESTIONNAIRE

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)**

09/17/2007

Hannis T. Bourgeois,
1175 Del Este Avenue, Suite B
Denham Springs, La 70726

In connection with your review of our financial statements as of 06/30/2007 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1118.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable. Not required for the 06/07 fiscal year Start up year

Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.
Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.
Yes No

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VI, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.
Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.
Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>Michael W. Faulk</u>	Secretary	<u>10/18/07</u>	Date
<u>Michael W. Faulk</u>	Treasurer	<u>10/18/07</u>	Date
<u>Kenneth M. Stamm</u>	President	<u>10/18/2007</u>	Date