

Parish of St. Landry  
Louisiana

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**CITY OF BAKER SCHOOL BOARD**  
**ANNUAL FINANCIAL REPORT**  
**AS OF JUNE 30, 2002**  
**AND FOR THE FOUR YEARS THEN ENDED**

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

Release Date: 2/12/03

**CITY OF BAKER SCHOOL BOARD  
ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE FOUR YEARS ENDED JUNE 30, 2002  
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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**CITY OF BAKER SCHOOL BOARD  
ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE FOUR YEARS ENDED JUNE 30, 2012  
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

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**JOHN D. BUTLER & COMPANY**  
A PROFESSIONAL ACCOUNTING CORPORATION  
P. O. BOX 50  
BAYLOR, LOUISIANA, 70704-0050  
LTD. 774-9882

**INDEPENDENT AUDITORS' REPORT**

December 30, 2002

Asty Epperson, Superintendent  
and Members of the City of Baker School Board  
P. O. Box 680  
Baker, Louisiana 70704-0680

We have audited the accompanying general-purpose financial statements of the City of Baker School Board as of June 30, 2002, and for the four years then ended, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Baker School Board's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baker School Board as of June 30, 2002, and the respective changes in financial position for the four years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as listed in the table of contents, is not a required part of the general-purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This required supplemental information is the responsibility of the City of Baker School Board's management. It has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our

City of Baker School Board

December 30, 2002

Page Two

opinion, is fairly presented in all material respects when considered in relation to the general-purpose financial statements taken as a whole.

In accordance with *Governor Auditing Standards*, we have also issued our report dated December 30, 2002, on our consideration of the City of Baker School Board's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purposes of forming an opinion on the general-purpose financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Baker School Board. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Sincerely,



John D. Butler & Company

A Professional Accounting Corporation

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(PART 1 OF 2)**

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**CITY OF BAKER SCHOOL BOARD  
MANAGEMENTS' DISCUSSION & ANALYSIS  
JUNE 30, 2002**

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Managements' discussion and analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Its purpose is to provide an overview of the financial activities of the Board based on currently known facts, decisions and/or conditions.

**Financial Statement Presentation**

The annual financial report consists of four parts - (1) managements' discussion and analysis, (2) general-purpose financial statements including note disclosures, (3) required supplemental information and (4) supplemental information. There are two types of statements presented in the financial statement section.

The district-wide financial statements present financial information for all activities of the Board from an economic resource measurement focus using the accrual basis of accounting. They are designed to present governmental activities separately from business-type activities. The Board does not have any business-type activities, and therefore, only governmental activities are presented in the district-wide financial statements.

Fund financial statements, however, present financial information for governmental activities using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes current assets and liabilities and present increases and decreases in net current assets.

Note 1 beginning on page 20 further discusses the differences between these two presentations. There is also a reconciliation between the district-wide financial statements and the fund financial statements for governmental activities presented on pages 15 and 17.

**Financial Analysis of the District as a Whole**

The Board's combined net assets as of June 30, 2002, were:

Unrestricted	<u>\$169,167.67</u>
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This is a decrease from the prior year of \$141,531.24. Because the Board has not begun educating children, there are no significant revenues to offset the expenditures necessary for starting a school system. The Board will assume responsibility for the five Baker schools on July 1, 2002. At that time, property tax, sales tax and Minimum Foundation Program (MFP) funds will begin to be paid to the City of Baker School Board. Additionally, the Board intends to apply to the Louisiana Department of Education for additional state and federal funds to supplement tax and MFP funds.

Continued

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENTS' DISCUSSION & ANALYSIS (Continued)  
JUNE 30, 2002**

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Activities resulted in a decrease in net assets of \$8,397, \$85,073, \$157,754 and \$342,131 in the fiscal years ended June 30<sup>th</sup> of 1999, 2000, 2001 and 2002, respectively. The most significant expenditures during this time were legal fees and other professional services associated with the litigation required to reach a settlement agreement with the East Baton Rouge Parish School Board and the NAACP.

**Budgetary Highlights**

For the year ended June 30, 1999, the Board experienced a negative variance of \$8,397 in its comparison between actual and budgeted amounts. This was due to a shortfall in revenues of \$32,633. While revenues fell short by \$81,318 in the year ended June 30, 2000, expenditures were \$392,449 less than anticipated. The Board again experienced a positive variance the next year with a net change in fund balances of \$28,121 greater than expected. During the most recent year, revenues fell short of budget by \$11,153, but expenditures were \$8,311 under budgeted amounts.

**Capital Asset and Debt Administration**

Capital assets were donated by Hancock Bank in 2000, when the Board moved into its present location at the bank. The estimated fair market value of these assets at the time of donation was \$1,355. Also in 2000, the Board purchased a phone system in the amount of \$1,265.

To begin the process of opening a school system separate from the East Baton Rouge Parish system, the Board borrowed \$400,000 from the Louisiana Department of Education. Repayment and the accrual of interest will not start until after July 1, 2003. The Board also reserves the right to seek forgiveness of debt through the Louisiana Legislature prior to the start of repayment. There remains, at June 30, 2002, approximately \$7,000 from this loan. Additional funds were borrowed after the close of this fiscal year through the issuance of revenue anticipation notes to Hancock Bank. The primary purpose of this borrowing was to make the settlement payment of \$250,000 to the East Baton Rouge Parish School Board that was made on October 1, 2002.

**Past Accomplishments and Future Plans**

Impetus for a Baker City School System came from Baker city leaders in the early 1990s who visualized a school system separate and apart from the East Baton Rouge Parish School System where Baker students would be educated in Baker schools. This early planning led to a constitutional amendment that was approved by the citizens of Louisiana, East Baton Rouge Parish and Baker in the fall of 1995.

An elected School Board was seated in January 1999, and efforts began to bring about an operational School System within the Baker city limits. Much planning and effort went into realizing the goal an

Continued

**CITY OF BAKER SCHOOL BOARD  
MANAGEMENTS' DISCUSSION & ANALYSIS (Continued)  
JUNE 30, 2002**

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visualized by the citizens of Baker in 1995. After hundreds of hours of negotiations with the East Baton Rouge Parish School Board, the United States Department of Justice, the local chapter of the NAACP and the original plaintiffs in the East Baton Rouge Parish desegregation case, the City of Baker School System is set to become the sixty-seventh school system in the State of Louisiana.

The School System gained a major victory in July 1999, when a State District Court ruled that the Baker School Board could take control of the five schools located within the city limits along with ten school buses from East Baton Rouge Parish. Then on February 9, 2002, the final legal hurdle was cleared when a United States District Judge entered an order approving an agreement allowing the City of Baker School Board to separate from the East Baton Rouge Parish School Board. This separation becomes effective on July 1, 2003, and the City of Baker School System will honor its liability for the 2003-04 school year.

**Request for Additional Information**

A copy of this report or additional information can be obtained by writing or contacting Brenda Williams at the City of Baker School Board office, P. O. Box 688, Baker, La. 70714, (225) 774-5788.

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**DISTRICT-WIDE FINANCIAL STATEMENTS**

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**CITY OF BAKER SCHOOL BOARD  
STATEMENT OF NET ASSETS  
JUNE 30, 2002**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,605.01
Capital assets, net	<u>1,493.22</u>
<b>Total Assets</b>	<b>9,098.23</b>
<b>LIABILITIES</b>	
Payroll deductions payable	2,246.90
Due to other governmental agencies	<u>402,890.08</u>
<b>Total Liabilities</b>	<b>405,136.98</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,493.22
Unrestricted	<u>(396,648.89)</u>
<b>Total Net Assets</b>	<b><u>(395,147.67)</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2002**

Functional/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets
		Changes for Social	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Administrative support services	\$ 56,555.72	\$ -	\$ -	\$ -	\$ (56,555.72)
Support services/year-student based	32,385.80	-	-	-	(32,385.80)
Professional services	118,770.14	-	74,110.11	-	(44,660.03)
Operations	22,254.63	-	12,861.18	-	(9,393.45)
<b>Total Governmental Activities</b>	<b>231,177.29</b>	<b>-</b>	<b>86,971.29</b>	<b>-</b>	<b>(144,206.00)</b>
					<b>1,074.76</b>
					<b>(147,131.24)</b>
					<b>(251,223.15)</b>
					<b>-406.92</b>
					<b>(183,147.67)</b>
					<b>General Revenues</b>
					<b>Interest earnings</b>
					<b>Change in Net Assets</b>
					<b>Net Assets, beginning</b>
					<b>Prior period adjustment</b>
					<b>Net Assets, ending</b>

The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2001**

Functional/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Administrative support services	\$ 47,573.26	\$ -	\$ -	\$ -	\$ (47,573.26)
Support services/bone-student fund	34,066.00	-	-	-	(34,066.00)
Professional services	121,217.79	-	63,218.89	-	(58,000.10)
Operations	19,620.85	-	826.85	-	(18,794.00)
<b>Total Governmental Activities</b>	<b>202,478.90</b>	<b>-</b>	<b>64,045.74</b>	<b>-</b>	<b>(138,433.16)</b>
		<b>General Revenues</b>			
		Interest earnings			328.26
		Change in Net Assets			(137,704.90)
		Net Assets, beginning			693,489.65
		Net Assets, ending			<u>555,784.75</u>

The accompanying notes are an integral part of this statement.

**CITY OF BARBER SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
YEAR ENDING JUNE 30, 2008**

Functional/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Administrative support services	\$ 23,152.89	-	-	-	\$ (23,152.89)
Support services/semi-student based	33,779.37	-	-	-	(33,779.37)
Professional services	118,282.72	-	91,268.94	-	(27,013.78)
Election expenses	591.19	-	82.82	-	(508.37)
Operations	9,846.71	-	6,133.58	3,349.08	(3,364.05)
<b>Total Governmental Activities</b>	<b>196,256.88</b>	<b>-</b>	<b>97,834.94</b>	<b>3,349.08</b>	<b>(85,072.85)</b>
<b>General Revenues</b>					<b>-</b>
Change in Net Assets					<b>(85,072.85)</b>
Net Assets, beginning					<b>68,596.30</b>
Net Assets, ending					<b>(16,476.55)</b>

The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 1999**

Functional/Program	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets
	Expenses	Charges for Service	Operating Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Support services-student based	\$ 8,398.70	\$ -	\$ -	\$ -	\$ (8,398.70)
Professional services	26,069.54	-	18,069.54	-	-
Education expense	282.60	-	282.60	-	-
Operations	9,014.81	-	9,014.61	-	-
Total Governmental Activities	43,765.65	-	27,366.75	-	(16,398.70)
<b>General Revenues</b>					
Change in Net Assets					
Net Assets, beginning					
Net Assets, ending					
					-
					(16,398.70)
					-
					(16,398.70)

The accompanying notes are an integral part of this statement.

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**FUND FINANCIAL STATEMENTS**

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**CITY OF BAKER SCHOOL BOARD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2001**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,606.01
Total Assets	<u>7,606.01</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Payroll deductions payable	2,346.98
<b>Fund Balance:</b>	
Unrestricted	<u>5,259.11</u>
Total Liabilities and Fund Balances	<u>7,606.01</u>

The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE DISTRICT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2002**

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Total Fund Balances - Total Governmental Funds	\$	5,399.11
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	(400,000.00)
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. This is the capital assets, net of accumulated depreciation, reported on the Statement of Net Assets.	<u>1,493.22</u>
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Net Assets - Governmental Activities	<u><u>(398,147.67)</u></u>
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The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEARS ENDED JUNE 30, 2002, 2001, 2000 AND 1999**

	General Fund			
	2002	2001	2000	1999
<b>REVENUES</b>				
Donations	\$ 86,971.29	\$ 64,086.74	\$ 101,188.94	\$ 37,366.75
Interest earned	1,674.76	335.26	-	-
Total Revenues	88,646.05	64,422.00	101,188.94	37,366.75
<b>EXPENDITURES</b>				
Administrative support services	53,653.63	46,217.43	22,328.86	-
Support services/non-student based	33,586.80	34,686.80	93,779.37	8,396.70
Professional services	118,770.14	121,517.79	118,582.72	28,069.54
Election expenses	-	-	901.19	282.60
Operations	22,279.63	19,820.83	9,846.72	9,034.61
Capital outlay	-	-	4,820.13	-
Total Expenditures	218,290.22	220,843.87	189,659.01	46,763.45
Excess of Revenues over Expenditures	(141,444.17)	(156,421.87)	(88,470.07)	(8,396.70)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term borrowing	-	-	400,000.00	-
Net Change in Fund Balances	(141,444.17)	(156,421.87)	311,529.93	(8,396.70)
Fund Balances, beginning	146,396.36	302,834.23	(8,396.70)	-
Prior period adjustments	-408.82	-	-	-
Fund Balances, ending	5,353.11	146,396.36	302,834.23	(8,396.70)

The accompanying notes are an integral part of this statement.

**CITY OF BAKER SCHOOL BOARD  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUNDS BALANCES TO THE  
DISTRICT-WIDE STATEMENT OF ACTIVITIES  
JUNE 30, 2002, 2001, 2000 AND 1999**

	2002	2001	2000	1999
Net Change in Fund Balances - Total Governmental Funds	\$ (141,444.17)	\$ (156,437.87)	\$ 311,250.00	\$ (8,396.70)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report proceeds of loans as a revenue source. However, this is not included in the Statement of Activities. This is the amount that was received as proceeds of a loan.	-	-	(400,000.00)	-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged exceeded capital outlay in the period indicated.	(887.07)	(1,313.60)	-	-
This is the amount by which capital outlay exceeded depreciation charged in the period indicated.	-	-	3,696.12	-
Change in Net Assets - Governmental Activities	<u>(142,331.24)</u>	<u>(157,751.47)</u>	<u>(83,072.93)</u>	<u>(8,396.70)</u>

The accompanying notes are an integral part of this statement.

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## NOTES TO THE FINANCIAL STATEMENTS

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**CITY OF BAKER SCHOOL BOARD**  
**INDEX TO NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**INTRODUCTION**

The City of Baker School Board (hereinafter referred to as the Board) is the governing authority for the City of Baker School System that was created by a constitutional amendment. The amendment to Section 13 of Article VIII became effective on November 23, 1993. However, subject to La. Revised Statute §17-72, the Board will not begin operating as a system separate from the East Baton Rouge Parish School System until July of 2003.

The purpose of the Board is to provide public education to the children living within the city limits of Baker, Louisiana. With the opening of the 2002-04 school year, the Board will operate three elementary, one middle and one high school. It will provide transportation and food services to its students.

The Board is comprised of five members who are elected for terms of four years. They are compensated for their services.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting practice of the Board conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of La. Revised Statute §24:517 and to the guidelines set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide *Audit of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

**Financial Reporting Entity:** Governmental Accounting Standards Board Statement No. 14 established criteria for determining the reporting entity and its component units. The Board, under the provisions of this statement, is considered the primary government because (1) it has a separately elected governing body, (2) it is legally separate and (3) it is fiscally independent. Fiscal independence provides that the Board prepares its own budget, including modifications, levies its own taxes and has the authority to issue debt.

While the Board will receive funding from local, state and federal government sources and must comply with all of the requirements of these funding sources, it will not be included in the statements of any other reporting entity. Also under the provisions of this statement, it has been determined that the Board has no component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

**District-wide Accounting:** In accordance with Government Accounting Standards Board Statement No. 34, the Board has presented a Statement of Net Assets and Statement of Activities for the Board as a whole. These statements include the primary government and its component units, if

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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applicable, with the exception of fiduciary funds. These funds are reported separately. District-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. They distinguish between governmental and business-type activities.

Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Board, at this time, does not have any business-type activities.

Policies specific to the district-wide statements are as follows:

*Eliminating Internal Activity*

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function is eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

*Application of FASB Statements and Interpretations*

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1988, except where they conflict or contradict GASB pronouncements.

*Capitalizing Assets*

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Donated assets are recorded at their estimated fair market value on the date of donation. Capital assets are recorded at their historical cost or estimated cost when historical cost is unavailable. These assets are depreciated using the modified accelerated cost recovery system method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets.

*Program Revenues*

The Statement of Activities presents three categories of program revenues - (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers/students who purchase, use or directly benefit from goods and services provided by the Board. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use. Revenues that are not classified as program revenues are presented as general revenues.

**CITY OF BAKER SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**Indirect Expenses**

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the Board has chosen not to do so.

**Operating Revenue**

Proprietary funds separately report operating and non-operating revenues. The Board does not have any proprietary funds at this time.

**Reserved Net Assets**

Reserved net assets are those for which a constraint has been imposed either externally or by law. The Board recognizes the use of reserved resources for expenditures that comply with the specific restrictions. Reserved resources are exhausted before unreserved net assets are used.

**Fund Accounting:** The Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the Board are classified into one category: governmental. Categories, in turn, are divided into separate fund types. The fund classification and a description of each existing fund type follow:

**Governmental Funds:** Governmental funds account for all or most of the Board's general activities, including the collection and disbursement of specific or legally reserved monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds of the Board include:

1. **General Fund** - is the general operating fund of the Board that accounts for all financial resources except those required to be accounted for in other funds.

**Basis of Accounting/Measurement Focus:** The type of financial statement presentation determines the accounting and financial reporting treatment applied to a fund.

The district-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental and business-type activities are included in the Statement of Net Assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred regardless of when the related cash flows take place. In these statements, capital assets are reported and depreciated in each fund.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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All governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Board considers revenues to be available if they are collected within sixty days following year-end. Expenditures are recorded when the related liability is incurred. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated. Proceeds of long-term liabilities are reported as other financing sources.

**Budgets and Budgetary Accounting:** The Board adopts an annual budget for its general fund. It is prepared in accordance with the basis of accounting utilized by that fund. Appropriations lapse at year-end. There were no amendments made to the budgets during the fiscal years ended June 30, 1999-2002.

**Cash and Cash Equivalents:** Cash includes amounts in demand deposits, interest-bearing demand deposits and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under State law, the Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**Investments:** Investments are limited by La. Revised Statute §13:2953. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings. The Board did not have any investments during the period under audit.

**Inventories:** Inventories are valued at cost using the perpetual method. The Board did not have any inventories at June 30, 2002.

**Receivables:** Receivables are recorded net of any allowance for uncollectible amounts in governmental activities. Revenues become susceptible to accrual when they become both measurable and available. The Board did not have any receivables during the period under audit.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Capital Assets:** The Board's assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Depreciation is recorded using the modified accelerated recovery cost system method of depreciation over the estimated useful lives of the assets as follows:

Equipment	4-10 years	Office furniture	3-10 years
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**Compensated Absence:** The Board has the policy included below related to leave for teachers. Policies for eleven and twelve month employees is currently being developed for which the Board will consider at its regular meeting on January 21, 2003. These policies are continuously monitored and amended as needed.

**Annual leave** – Twelve month employees receive ten days annual leave per year. Upon termination or retirement, employees choose: (1) to be paid for any unused accumulated leave at his/her current daily rate of pay or (2) to convert his/her unused accumulated leave to service credit for retirement purposes.

**Sick leave** – Employees hired at the beginning or within the first month of the school year receive ten days sick leave each year. This is reduced by one day each month until the eighth month in which three days are allowed. Sick leave is allowed to accumulate without limitation, however, upon termination, the employee will be paid for unused sick leave not to exceed twenty-five days at his/her daily rate of pay.

**Sabbatical Leave** – Sabbatical leave shall be granted for the purpose of professional or cultural improvement or medical reasons. It may be granted on either a ratio of two semesters for twelve or more consecutive semesters of active service or one semester for six or more consecutive semesters of active service. An employee granted sabbatical leave is compensated at the rate of 87% of his/her salary at the time such leave is set to begin.

Teaching personnel with a valid teaching certificate issued by the State Board of Elementary and Secondary Education are eligible for sabbatical/medical leave if his/her sick leave balance is twenty-five days or less at the time leave is set to begin and an approved statement from a licensed physician is available.

Sabbatical leave for the purpose of professional or cultural improvement is available for persons pursuing a study program and (1) earning at least nine undergraduate credit hours directly related to his/her skills and knowledge as a teacher, or (2) earning six graduate credit hours or (3) be certified as a full-time student at an institution of higher learning accredited by the respective State Board of Education or territorial board in which the institution is located. If less than fifteen weeks is spent pursuing such a study program, the number of weeks less than fifteen shall be spent either (1) pursuing a program of independent study, research, authorship or investigation involving an equivalent amount of work approved by the Board or (2) engaging in travel that has definite

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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educational value approved by the Board.

*Military Leave* – When military leave is less than fifteen working days in one calendar year, the employee will be paid at his/her regular rate of pay. It is considered leave without pay if such leave exceeds fifteen working days in one calendar year.

*Jury Duty or Subpoena* – Employees serving jury duty are paid their regular salary less any compensation he/she receives as a juror.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually earned.

*Long-Term Obligations* The Board received \$400,000 from the Louisiana Department of Education in December of 1999, through an Intergovernmental Loan Agreement to be used for start-up costs. For district-wide reporting, this amount due is recorded as 'Due to other governmental agencies'. Repayment of the loan is scheduled to begin on August 1, 2000, and interest at a rate not to exceed 4% is being deferred until July 1, 2001. The Board, through its agreement, reserved the right to seek forgiveness of the loan and interest from the Louisiana Legislature at any time between execution of the agreement (December 9, 1999) and commencement of repayment. As of June 30, 2002, this right had not been exercised.

*Net Assets/Fund Balances* In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

*Invested in Capital Assets, Net of Related Debt*

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

*Restricted Net Assets*

Net assets that are reserved by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, those non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

*Unrestricted Net Assets*

This category represents net assets not appropriate for expenditures or legally segregated for a specific future use.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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In the Balance Sheet of governmental funds, fund balances are segregated as follows:

*Reserved*

These resources are segregated because their use is restricted for a specific use.

*Unreserved*

This category represents that portion of equity not appropriate for expenditures or legally segregated for a specific future use.

**Interfund Transactions:** All interfund transactions except quasi-external transactions are reported as operating transfers. These are eliminated in the district-wide statements.

**Sales Taxes:** The Board has the following sales tax ordinance that will become effective on the first July 1<sup>st</sup> following the date on which a final judgment is obtained permitting the operation of a City of Baker Municipal School System and the separation of the City of Baker Municipal School System from the East Baton Rouge Parish School System as provided by La. Revised Statute §17:72 (1)(A)(ii):

The Board will collect a 2% city-wide sales and use tax as authorized in a special election held on November 20, 1999, to be used to pay salaries and benefits of school personnel and other costs of maintaining and operating its school system. This will begin on July 1, 2003.

**Levyed Taxes:** The Board also has the following ad valorem tax ordinance to levy taxes on real and business personal property located within the city limits of Baker to become effective on the first July 1<sup>st</sup> following the date on which a final judgment is obtained permitting the operation of a City of Baker Municipal School System and the separation of the City of Baker Municipal School System from the East Baton Rouge Parish School System as provided by La. Revised Statute §17:72 (1)(A)(ii):

The Board will levy property taxes at .3830 mills for a period of 10 years as authorized in a special election held on November 20, 1999. These taxes will provide additional support to the school system including paying salaries and benefits of school personnel and other costs of maintaining and operating such a system. This will begin on July 1, 2003.

The tax will be levied and collected by the East Baton Rouge Parish Sheriff and then remitted to the Board on a monthly basis based on the prior month's collections. Taxes are due by December 31<sup>st</sup> of the year levied.

**Donations:** Donations are recorded at their fair value. The Board received donations from the City of Baker, La. in the form of payments for professional services and supplies that were used by the Board.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**NOTE 2 - CASH AND CASH EQUIVALENTS**

The cash and cash equivalents on hand (bank balances) at June 30, 2002, are as follows:

	<b>Governmental Activities</b>
Demand deposits	\$ 1,517.89
Money market savings	6,088.02
<b>Total</b>	<b>7,605.91</b>

These deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2002, the Board had \$8,052.76 in deposits (bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

Even though pledged securities, if any, are considered uncollateralized under the provision of OASB Statement 3, L.A. Revised Statute 28-1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Board that the Board agent has failed to pay deposited funds upon demand.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2002, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Furniture and fixtures	\$ 3,265.00	\$ .00	\$ .00	\$ 3,265.00
Equipment	1,358.15	.00	.00	1,358.15
<b>Totals at Historical Cost</b>	<b>4,623.15</b>	<b>.00</b>	<b>.00</b>	<b>4,623.15</b>

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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	Beginning Balance	Additions	Deletions	Ending Balance
Less Accumulated Depreciation for:				
Furniture and fixtures	1,697.88	626.88	.00	2,324.68
Equipment	542.06	260.19	.00	802.25
Total Accumulated Depreciation for:	2,239.94	887.07*	.00	3,126.93
Governmental Activities Capital Assets, net	2,380.28	(887.07)	.00	1,493.21

\*All depreciation expense was charged to general government.

**NOTE 4 - ACCOUNTS AND OTHER PAYABLES**

The payables, with the exception of intergovernmental transactions, of \$2,246.90 at June 30, 2002, are as follows:

Payroll withholdings	\$ 1,721.19
Employers' share of FICA/Medicare	_ 525.71
Total	2,246.90

**NOTE 5 - INTERGOVERNMENTAL TRANSACTIONS**

As discussed under 'Long-Term Obligations' of Note 1 - Summary of Significant Accounting Policies, an amount of \$400,000 was borrowed from the Louisiana Department of Education to be used towards start-up costs in December of 1999. Repayment will not begin until August of 2003, making the entire balance still due as of June 30, 2002.

**NOTE 6 - LONG-TERM OBLIGATIONS**

The only debt that existed at June 30, 2002, was the loan from the Louisiana Department of Education explained in Note 5 above.

**NOTE 7 - COMPENSATED ABSENCES**

The Board did not have any compensated absences as of June 30, 2002.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**NOTE 8 – LEASES**

The Board had no capital leases at June 30, 2002. An operating lease for a copier was executed in April of 2001. The amount spent was \$550.40 and \$1,500.00 in the year ended June 30, 2001 and June 30, 2002, respectively.

**NOTE 9 – BUDGET TO ACTUAL COMPARISON**

Revenues fell short of budgeted amounts by more than 5% in each year as follows:

	Percentage	Fiscal Budget	Actual	Negative Variance
FYE 6/30/02	11%	\$ 100,000.00	\$ 88,846.05	\$ 11,153.95
FYE 6/30/01	30%	100,000.00	64,403.00	35,597.00
FYE 6/30/00	45%	182,408.00	101,189.94	81,218.06
FYE 6/30/99	47%	70,000.00	37,366.75	32,633.25

**NOTE 10 – RETIREMENT PLAN**

Substantially all of the employees of the Board will participate in the Teachers' Retirement System, which is a cost sharing, multiple-employer public employee retirement system. Benefit provisions are ultimately approved and amended by the Louisiana Legislature. At June 30, 2002, however, none of the Board's employees were participants.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

There are no related party transactions reflected in the accompanying financial statements.

**NOTE 12 - LITIGATION**

There currently is no pending or threatened litigation against the Board that requires disclosure in the accompanying financial statements.

**NOTE 13 – PERFORMANCE MEASURES**

School boards are required to report performance measures as supplemental information such as the educational levels of its staff, experience of its teachers and full-time classroom teachers, class size characteristics and results of IOWA tests and graduate exit exams. Because the Board will not begin operating a school system until the fall of 2003, it has no such performance measures to report.

**CITY OF BAKER SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**NOTE 14 - SUBSEQUENT EVENTS**

In April of 2002, the Board adopted a resolution authorizing the borrowing of up to \$1.5 million through use of Revenue Anticipation Notes, Series 2002. The Board received \$90,000 on July 30, 2002, as a result of this bond issuance to Hancock Bank. The notes, which bear interest at 3.75%, will mature on June 30, 2004. Anticipated revenues from the two fiscal years ending June 30, 2003 and 2004 were dedicated for repayment.

In September of 2002, the Board borrowed another \$750,000 through its issuance of revenue anticipation notes to Hancock Bank under the same terms. Pursuant to the settlement agreement, the Board remitted these funds to the East Baton Rouge Parish School System on October 1, 2002.

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(PART 2 OF 2)**

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**CITY OF BAKER SCHOOL BOARD  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2002**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Donations	\$108,800.00	\$ 90,000.00	\$ 86,571.29	\$ (13,028.71)
Interest earned	-	-	1,874.76	1,874.76
Total Revenues	108,800.00	90,000.00	88,446.05	(11,153.95)
<b>EXPENDITURES</b>				
Administrative support services	33,507.29	33,587.20	55,653.65	(22,146.65)
Support services/non-student based	36,086.80	36,086.80	33,586.80	2,500.00
Professional services	144,800.00	144,000.00	118,770.14	25,229.86
Operations	25,007.80	25,897.00	22,278.63	2,727.37
Total Expenditures	338,601.89	339,651.00	330,299.22	8,310.78
Net Change in Fund Balances	(129,801.89)	(149,651.00)	(141,494.17)	(2,843.17)
Fund Balances, beginning	(195,759.00)	(195,759.00)	146,396.36	342,155.36
Prior period adjustments	-	-	-606.82	-606.82
Fund Balances, ending	(325,560.89)	(345,410.00)	3,335.11	339,715.11

See Auditor's Report.

**CITY OF BAKER SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Base)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Donations	\$100,000.00	\$ 100,000.00	\$ 84,068.74	\$ (15,931.26)
Interest earned	-	-	318.26	318.26
<b>Total Revenues</b>	<b>100,000.00</b>	<b>100,000.00</b>	<b>84,387.00</b>	<b>(15,613.00)</b>
<b><u>EXPENDITURES</u></b>				
Administrative support services	84,965.20	84,965.20	46,217.45	38,747.77
Support services/non-student based	18,586.80	18,586.80	34,086.80	4,500.00
Professional services	83,800.00	83,000.00	121,517.79	(38,517.79)
Operations	89,207.00	89,207.00	19,030.83	70,176.15
<b>Total Expenditures</b>	<b>286,559.00</b>	<b>295,759.00</b>	<b>220,852.87</b>	<b>74,906.13</b>
<b>Net Change in Fund Balance</b>	<b>(186,559.00)</b>	<b>(195,759.00)</b>	<b>(136,465.87)</b>	<b>38,211.13</b>
Fund Balances, beginning	-	-	302,834.23	302,834.23
Fund Balances, ending	<b>(186,559.00)</b>	<b>(195,759.00)</b>	<b>166,368.36</b>	<b>342,135.56</b>

**CITY OF BAKER SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Donations	\$182,408.00	\$182,408.00	\$101,189.94	\$ (81,218.06)
Interest earned	-	-	-	-
Total Revenues	182,408.00	182,408.00	101,189.94	(81,218.06)
<b>EXPENDITURES</b>				
Administrative support services	181,264.00	181,264.00	22,228.88	159,035.14
Support services/non-student based	51,380.00	50,390.00	33,779.37	17,520.63
Professional services	230,000.00	238,000.00	138,583.73	111,417.28
Election expense	-	-	901.18	(901.18)
Operations	119,844.00	119,844.00	9,846.72	109,997.28
Capital outlay	-	-	4,626.15	(4,626.15)
Total Expenditures	582,488.00	582,488.00	189,955.81	392,488.99
Excess of Revenues over Expenditures	(400,080.00)	(400,080.00)	(88,765.87)	311,250.93
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from loan	400,000.00	400,000.00	400,000.00	-
Net Change in Fund Balances	-	-	311,250.93	311,250.93
Fund Balances, beginning	-	-	(8,796.78)	(8,796.78)
Fund Balances, ending	-	-	302,554.23	302,554.23

See Auditor's Report.

**CITY OF BAKER SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 1999**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Donations	\$ 70,000.00	\$ 70,000.00	\$ 37,366.75	\$ (32,633.25)
Interest earned	-	-	-	-
Total Revenues	70,000.00	70,000.00	37,366.75	(32,633.25)
<b>EXPENDITURES</b>				
Support services/non-student based	10,000.00	10,000.00	8,796.70	1,603.30
Professional services	49,000.00	49,000.00	20,069.54	20,930.46
Election expense	1,000.00	1,000.00	202.60	717.40
Operations	10,000.00	10,000.00	3,014.61	985.39
Total Expenditures	70,000.00	70,000.00	45,763.45	24,236.55
Net Change in Fund Balances	-	-	(8,396.70)	(8,396.70)
Fund Balances, beginning	-	-	-	-
Fund Balances, ending	-	-	(8,396.70)	(8,396.70)

See Auditor's Report.

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## SUPPLEMENTAL INFORMATION

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**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
YEARS ENDED JUNE 30, 1999 - 2002**

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This schedule is being presented to comply with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members, in accordance with La. Revised Statute §17:56, elected a monthly payment method during a regular meeting held on March 30, 1999, of \$500 per month per member with the president receiving \$600 per month.

	1999	2000	2001	2002
Greg Allen	\$ .00	\$ .00	\$ 6,000.00	\$ 6,000.00
Dana Carpenter	1,500.00	6,500.00	6,700.00	6,000.00
Elaine Davis	1,500.00	6,000.00	6,900.00	6,000.00
George Gallman	1,500.00	6,000.00	6,000.00	6,300.00
Clayton Keller	1,800.00	6,200.00	.00	.00
Montel Margois	1,500.00	6,000.00	6,500.00	6,300.00
<b>Totals</b>	<u>1,800.00</u>	<u>30,700.00</u>	<u>31,200.00</u>	<u>31,200.00</u>

**CITY OF BAKER SCHOOL BOARD  
SCHEDULE OF EXPENDITURES  
GOVERNMENTAL FUNDS  
YEARS ENDED JUNE 30, 2002, 2001, 2000 AND 1999**

	General Fund			
	2002	2001	2000	1999
<b>Administrative Support Services</b>				
Conferences and travel	467.95	408.04	999.37	-
Payroll taxes	3,974.47	3,353.39	1,473.39	-
Salaries	51,210.75	42,432.80	19,795.10	-
Total Administrative Support Services	55,653.17	46,214.23	22,267.86	-
<b>Support Services/Non-Student Based</b>				
Conferences	-	500.00	750.83	-
Payroll taxes	2,385.80	2,385.80	2,348.55	596.70
Salaries	31,200.00	31,200.00	30,700.00	7,800.00
Total Support Services/Non-Student Based	33,585.80	34,085.80	33,799.37	8,396.70
<b>Professional Services</b>				
Legal fees	81,779.81	97,365.28	99,432.52	28,669.54
Other contracted services	36,980.33	24,351.51	19,138.20	-
Total Professional Services	118,760.14	121,716.79	118,570.72	28,669.54
<b>Election Expense</b>				
	-	-	901.19	282.60
<b>Operations</b>				
Advertising	632.03	1,598.68	89.86	-
Bank charges	-	345.81	125.83	-
Dues and subscriptions	10,150.00	9,400.00	-	3,000.00
Insurance	1,393.70	1,170.79	150.80	-
Office and supplies	2,111.35	4,228.07	6,828.19	4,814.61
Rent	1,800.00	550.48	-	-
Telephone	3,680.58	3,487.19	1,632.94	-
Utilities	2,400.00	2,400.00	1,080.00	-
Total Operations	32,279.63	19,830.83	9,846.72	9,814.61
<b>Capital Outlay</b>				
	-	-	4,620.15	-
Total Expenditures	238,290.22	228,847.87	189,999.01	48,763.43

See Auditor's Report.

**JOHN D. BUTLER & COMPANY**  
A PROFESSIONAL ACCOUNTING CORPORATION  
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OOO 774-4982

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

December 30, 2002

Jerry Epperson, Superintendent  
and Member of the City of Baker School Board  
P. O. Box 680  
Baker, Louisiana 70704-0680

We have audited the general-purpose financial statements of the City of Baker School Board as of and for the four years ended June 30, 2002, and have issued our report thereon dated December 30, 2002. 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.

#### **Compliance**

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

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Baker School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal

City of Baker School Board

December 30, 2002

Page Two

control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than those specified parties. Under La. Revised Statute §24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,



John D. Butler & Company  
A Professional Accounting Corporation