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04 2007**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

General Purpose Financial Statements and  
Independent Auditor's Report  
As of and for the Year Ended June 30, 2003

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 Baker Parish office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of council.

Release Date 1-28-2004

**Melvin L. Davis**  
**Certified Public Accountant**

(A Limited Liability Company)

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana

General-Purpose Financial Statements and  
Independent Auditor's Report  
As of and for the Year Ended June 30, 2003

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**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana  
Contents, June 30, 2003

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**Melvin L. Davis**  
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**INDEPENDENT AUDITOR'S REPORT**

The City of Baker School Board  
Baker, Louisiana

Board Members and Superintendent:

I have audited the accompanying financial statements of the City of Baker School Board as of and for the year ended June 30, 2003, which collectively comprise the City of Baker School Board's general-purpose financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baker School Board's management. My responsibility is to express opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Baker School Board as of June 30, 2003, and its changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2003, on my consideration of the City of Baker School Board's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

MEMPHIS:

American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

The management's discussion and analysis and 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express an opinion on it.

*Melvin L. Davis*

Baton Rouge, Louisiana  
December 22, 2003

**Melvin L. Davis**  
**Certified Public Accountant**

(A Limited Liability Company)

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

**CITY OF BAKER SCHOOL BOARD  
BAKER, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2003**

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Management's 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 school board based on currently known facts, decisions and/or conditions.

**Financial Statement Presentation**

The annual financial report consists of four parts – (1) management's 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 in the financial statement section.

The district-wide financial statements present financial information for all activities of the school board from an economic resource management focus using the accrual basis of accounting. They are designed to present governmental activities separately from business-type activities. The school 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 presents increases and decreases in net current assets.

Note 1 beginning on page 13 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 10 and 12.

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

The school board's combined net assets as of June 30, 2003, were:

Unrestricted	<u>(\$1,822,948.80)</u>
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This is a decrease from the prior year of (\$1,479,803.15). Because the school board has not begun educating children, there are no significant revenues to offset the expenditures necessary for starting a school system. The school board will assume responsibility for the five City of Baker schools on July 1, 2003. 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 school board intends to apply to the Louisiana Department of Education for additional state and federal funds to supplement tax and MFP funds.

Activities resulted in a decrease in net assets of \$1,639,802.15 in the fiscal year ended June 30, 2003. The most significant expenditures during this time were professional staff salaries and benefits, legal fees associated with the litigation, and other payments 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, 2003, the school board experienced a positive variance of \$7,557.68 in its comparison between actual and budgeted amounts. The variance can be attributed to the school board not utilizing the \$80,000 budgeted for debt services payment, but instead were partially expended in other budget categories.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Baker's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$50,723.38 (net of accumulated depreciation). This investment in capital assets represents office furniture and fixtures and equipment. The increase in the school board's investment in capital assets for the current year was \$49,230.17.

**Debt Administration.** At the end of the current fiscal year, the City of Baker School Board had total long-term debt outstanding of \$1,940,000. This debt represents a \$400,000 intergovernmental loan agreement with the Louisiana Department of Education, a \$50,000 Revenue Anticipation Note, and \$1,490,000 of Revenue Bonds. The principal and interest on these indebtedness will be secured and payable from an irrevocable pledge and dedication of all income, revenues and receipts accruing to the school board from sales tax revenues, the results of the 43.2 mills ad valorem tax, the Minimum Foundation monies, as authorized by Louisiana Revised Statute 35:1430, and other sources as permitted.

### **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 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 as visualized by the citizens of Baker in 1893. 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 become a reality for the 2003-04 school year.

#### **Request for Additional Information**

This financial report is designed to provide a general overview of the City of Baker School Board's finances for all those with an interest in the school board's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Brenda Williams, Business Manager, City of Baker School System, P. O. Box 680, Baker, Louisiana 70704-0680.

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana  
Statement of Net Assets  
June 30, 2002

Statement A

<b>ASSETS</b>	
Cash and cash equivalents	\$ 177,531.14
Capital assets (net of accumulated depreciation):	
Furniture and equipment	50,733.38
<b>TOTAL ASSETS</b>	<u>\$ 228,264.52</u>
<b>LIABILITIES</b>	
Accounts, salaries, and other payables	\$ 61,284.57
Long-term liabilities:	
Due within one year	400,341.08
Due in more than one year	1,479,617.08
<b>TOTAL LIABILITIES</b>	<u>2,041,242.73</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	50,733.39
Unrestricted	<u>(1,812,978.21)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (1,812,978.21)</u>

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**

Statement B

Expenses	Program Revenues			Net (Excess) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental Activities:</b>					
<b>Support services:</b>					
Administrative staff support	\$	163,043.23		\$	(163,043.23)
General administration		1,089,803.76			(1,089,803.76)
Business services		75,894.63			(75,894.63)
Fleet services		1,023.80			(1,023.80)
General services		89,061.35			(89,061.35)
Fiscal services		644.85			(644.85)
<b>Total Governmental Activities</b>	<b>\$</b>	<b>1,409,471.62</b>	<b>-</b>	<b>-</b>	<b>(1,409,471.62)</b>
Interest and investment earnings					1,207.73
Miscellaneous					393.34
					<u>1,601.07</u>
					<b>(1,407,870.55)</b>
					<u>1,409,269.48</u>
					<u>(68,601.07)</u>
					<b>\$</b> <u><u>(1,875,249.83)</u></u>

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**June 30, 2003**

**Statement C**

	<u>GENERAL</u> <u>FUND</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 117,331.41</u>
<b>TOTAL ASSETS</b>	<u>\$ 117,331.41</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable, and other payables	\$ 44,394.07
Fund balances	
Undesignated	<u>58,186.70</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 117,331.41</u>

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2003**

**Statement D**

Total Fund Balances at June 30, 2003 - Governmental Funds		\$	96,128.79
Cost of capital assets at June 30, 2003	\$	55,178.35	
Less - accumulated depreciation as of June 30, 2003:			
Movable property		<u>(4,846.97)</u>	50,331.38
Long-term liabilities at June 30, 2003:			
Bonds payable			<u>(1,048,000)</u>
Net Assets at June 30, 2003		\$	<u>(1,011,649.52)</u>

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2003**

**Statement 11**

	<u>GENERAL</u> <u>FUND</u>
<b>REVENUES</b>	
Local sources:	
Income tax levy	\$ 1,227.73
Other	100.00
<b>TOTAL REVENUES</b>	<u>1,327.73</u>
<b>EXPENDITURES</b>	
Current:	
Support services:	
Instructional staff support	\$41,001.31
General administration	1,704,007.75
Business services	73,004.43
Plant services	3,523.00
Capital services	125,000.00
Interest bond services	80,000.00
<b>TOTAL EXPENDITURES</b>	<u>1,957,536.49</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER EXPENDITURES</b>	(1,629,768.76)
<b>OTHER FINANCING SOURCES (USES)</b> Proceeds from Sale and Lease	<u>1,740,000.00</u>
<b>NET CHANGES IN FUND BALANCE</b>	110,231.24
<b>FUND BALANCE—JULY 1, 2002</b>	<u>1,135.11</u>
<b>FUND BALANCE—JUNE 30, 2003</b>	<u>\$ 1,245.35</u>

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2005**

**Statement P**

Total net change in fund balances - governmental funds (Statement E) \$ 50,967.68

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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense (\$1,730,84)

Capital outlays 158,856.21

49,230.17

Issuance of long-term debt (e.g., revenue anticipation note, revenue bonds) provides current financial resources to governmental funds, while the repayment of the of long-term debt consumes financial resources of governmental funds. These long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental Funds Balance Sheet.

(1,540,000)

Change in net assets of governmental activities (Statement E)

\$ (1,418,802.17)

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2003

**INTRODUCTION**

The City of Baker School Board was created by Louisiana Revised Statute (R.S.) 17:51 to provide public education for the children within City of Baker. The school board is authorized by R.S. 17:51 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The school board is comprised of five (5) members who are elected from five (5) districts for terms of four years.

Beginning July 1, 2003, the school board will operate three elementary, one middle, and one high school. In conjunction with the regular educational programs, some of these schools will offer special education and/or adult education programs. In addition, the school board will provide transportation and school food services for the students.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

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

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**

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

**C. FUNDS**

The school board 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 board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Funds of the school board are classified into one category, governmental, as follows:

## **CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statement (Continued)

### **Governmental Funds**

Governmental funds account for all or most of the school board's general activities. These funds form on the sources, uses, and balances of current financial resources. Responsible 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 in finance future period programs or operations of the school board. Presently, all governmental funds of the school board are accounted for in the General Fund, as follows:

**General Fund** - the primary operating fund of the school board and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or encumbered in accordance with state and federal laws and according to school board policy.

### **B. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

#### **District-Wide Financial Statements (DWFS)**

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

The DWFS 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*.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the school board's taxpayers or citizenry, as a whole; program revenues reflect the cost of the function to be financed from the school board's general revenues.

**Allocation of Indirect Expenses** - The school board reports all direct expenses by function in the Statement of Activities (Statement B). 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. Depreciation on buildings is assigned to the "general administration" function due to the fact that school buildings serve multiple purposes. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

#### **Fund Financial Statements (FFS)**

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statements of revenues, expenditures, and change in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of

**CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

**Notes to the Financial Statements (Continued)**

current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

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

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The school board recognizes all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

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

Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year. Effective July 1, 2003, the school board will levy property taxes at 38.28 mills for a period of 10 years as authorized in a special election held on November 28, 1999. The 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.

Sales and use tax revenues are recorded in the month collected by the tax collector. Effective July 1, 2003, the school board will begin collecting a 2% city-wide sales and use tax as authorized in a special election held on November 28, 1999, to be used to pay salaries and benefits of school personnel and other costs of maintaining and operating its school system.

Interest earnings are recorded when the investments have matured and the interest is available.

Revenues from rentals, leases, and all royalties are recorded when earned.

Substantially all other revenues are recorded when received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Costs of accumulated unpaid annual, sick leave and other employee benefits amounts are reported in the period due and payable rather than the period earned by employees, and general long-term obligations principal and interest payments are recognized only when due.

**CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statements (Continued)

**Other Financing Sources (Uses)**

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

**K. BUDGETS AND BUDGETARY ACCOUNTING**

The school board adopts an annual budget for its general fund. The budget is prepared on the modified accrual basis of accounting. Unencumbered appropriations in the General Fund lapse at the end of the fiscal year. Encumbered appropriations at year end that have been approved by the school board are generally expended during the next fiscal year's operations, assuming that the underlying liability is ultimately incurred. Budgeted amounts are as originally adopted or as amended by the school board. Legally, the school board must adopt a balanced budget; that is, total budgeted revenues and other financing sources (including fund balance) must equal or exceed total budgeted expenditures and other financing uses. State statutes require the school board to amend its budget when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. There were no amendments made to the budget during the fiscal year ended June 30, 2005.

**F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. [Include the school board's established policy concerning which short-term, highly liquid investments it will treat as cash equivalents. For example, cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.] Under state law, the school board may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**G. INVESTMENTS**

Investments are limited by R.S. 15:290 and the school board's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are recorded at fair value. As June 30, 2005, the school board had no investments.

**H. RECEIVABLES**

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

**CITY OF BAKER SCHOOL BOARD**  
Baker, Louisiana  
Notes to the Financial Statements (Continued)

**I. INVENTORIES**

Inventories are valued at cost using the perpetual method. The school board did not have any inventories at June 30, 2003.

**J. CAPITAL ASSETS**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded at capital assets at their estimated fair-market value at the date of donation.

Capital assets are recorded in the GWYS, but are not reported in the FYS. These surplus assets are held for an immediate amount when declared to no longer needed for public school purposes by the school board, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture and fixtures	5 - 10 years
Equipment	4 - 10 years

**K. COMPENSATED ABSENCES**

All teacher (11) month full-time employees earn annual leave at the rate of ten (10) days per year. Upon retirement or termination of employment, the employees may choose to be paid for any unused accumulated annual leave days at his/her current daily rate of pay, or convert such unused accumulated annual leave to service credit for retirement purposes, in which case such conversion shall be governed by applicable statute and/or rules and regulations of the respective retirement system.

All employees hired for the school year or longer shall be granted a minimum of ten (10) days of sick leave per year because of personal illness or other emergencies without loss of pay. Such leave, when not used, shall be allowed to accumulate to the credit of the employee without limitation. Upon retirement or death, the school board shall pay the employee or his/her heirs or assigns, for any unused sick leave, not to exceed twenty-five (25) days. Such pay shall be at the daily rate of pay paid to the employee at the time of his/her retirement or death.

Because the school board has not maintained detailed records of its annual and sick leave accrual, compensated absence liability has not been recorded on the district-wide financial statements.

**L. FUND EQUITY**

In the first financial statements, governmental funds report encumbrances of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**M. ESTIMATES**

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

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements (Continued)

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2003, the school board has cash and cash equivalents (bank balances) totaling \$177,031.16, which is in an interest-bearing demand account.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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 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, 2003, the school board has \$241,669.64 in deposits (collected bank balances). These deposits are secured from risk by \$188,000.00 of federal deposit insurance and \$458,375.00 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP Category 1).

Even though the pledged securities are considered uncollateralized (Category 1) under the provisions of GASB Statement 3, R.S. 19:1129 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 days of being notified by the school board that the fiscal agent has failed to pay deposited funds upon demand.

**3. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2003, is as follows:

	Furniture and Equipment
Cost at June 30, 2002	\$ 4,628.15
Additions	58,959.21
Deductions	-
Cost at June 30, 2003	<u>63,587.36</u>
Accumulated depreciation, June 30, 2002	1,126.99
Additions	1,730.04
Deductions	-
Accumulated depreciation, June 30, 2003	<u>2,857.03</u>
Capital assets, net of accumulated depreciation, at June 30, 2003	<u>\$ 60,730.33</u>

Depreciation expense of \$1,730.04 for the year ended June 30, 2003, was charged to the central services governmental function.

**4. RETIREMENT SYSTEMS**

Substantially all employees of the school board are members of two statewide retirement systems. In general, professional employees (such as teachers and principals) and non-teaching workers are members of

**CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Notes to the Financial Statements (Continued)

the Teachers' Retirement System of Louisiana; other employees, such as custodial personnel and bus drivers, are members of the Louisiana School Employees' Retirement System. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

**A. Teachers' Retirement System of Louisiana (TRS)**

**Plan Description.** The TRS consists of three membership plans: Regular Plan, Plan A, and Plan B. The TRS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 9022, Baton Rouge, Louisiana 70804-9122, or by calling (225) 932-6466.

**Funding Policy.** Plan members are required to contribute 8.0%, 9.7%, and 1.0% of their annual covered salary for the Regular Plan, Plan A, and Plan B, respectively. The school board is required to contribute at an actuarially determined rate. The current rate is 11.1% of annual covered payroll for all three membership plans. Member contributions and employer contributions for the TRS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The school board's employer contribution for the TRS, as provided by state law, is funded by the State of Louisiana through annual appropriations, by deductions from local ad valorem taxes, and by reimbursements from the school board.

The school board's contributions to the TRS for the year ending June 30, 2003, were \$18,711.68, equal to the required contributions for the year.

**B. Louisiana State Employees' Retirement System (LASERS)**

**Plan Description.** The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44115, Baton Rouge, Louisiana 70804-4211, or by calling (225) 932-9600.

**Funding Policy.** Plan members are required to contribute 2.7% of their annual covered salary and the school board is required to contribute at an actuarially determined rate. The current rate is 14.7% of annual covered payroll. Member contributions and employer contributions for the LASERS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The school board's employer contribution for the LASERS is funded by the State of Louisiana through annual appropriations.

The school board's contributions to the LASERS for the year ending June 30, 2003, were \$5,411.81, equal to the required contributions for the year.

**C. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

The payables of \$61,284.17 at June 30, 2003, are as follows:

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**Notes to the Financial Statements (Continued)**

	<u>General Fund</u>
Accounts	\$ 9,754.17
Salaries	39,794.98
Withholdings	<u>11,653.00</u>
	<u>\$ 61,202.15</u>

**6. LEASES**

The school board had no capital leases at June 30, 2003. During the year, the school board enters operating leases for copier machines and office space. The amounts spent were \$2,655.19 and \$1.00, respectively during the year ended June 30, 2003.

**7. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligations transactions for the year ended June 30, 2003:

	<u>Intergovernmental Loan Agreement</u>	<u>Revenue Anticipation Note, Series 2002</u>	<u>Revenue Bonds Series 2002</u>	<u>Total</u>
Long-term obligations at July 1, 2002	\$ 400,000.00			\$ 400,000.00
Additions		\$ 90,000.00	\$ 1,450,000.00	1,540,000.00
Deductions				<u>          </u>
Long-term obligations at June 30, 2003	<u>\$ 400,000.00</u>	<u>\$ 90,000.00</u>	<u>\$ 1,450,000.00</u>	<u>\$ 1,940,000.00</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, 2003:

	<u>Intergovernmental Loan Agreement</u>	<u>Revenue Anticipation Note, Series 2002</u>	<u>Revenue Bonds Series 2002</u>	<u>Total</u>
Current	\$ 30,341.00	\$ 90,000.00	\$ 140,000.00	\$ 460,341.00
Long-Term	<u>369,659.00</u>		<u>1,310,000.00</u>	<u>1,479,659.00</u>
Total	<u>\$ 400,000.00</u>	<u>\$ 90,000.00</u>	<u>\$ 1,450,000.00</u>	<u>\$ 1,940,000.00</u>

**CITY OF BAKER SCHOOL BOARD**  
 Baker, Louisiana  
 Notes to the Financial Statements (Continued)

The school board's long-term obligations are due as follows:

Year Ending June 30,	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2004	\$ 450,000.00	\$ 90,000.71	\$ 540,000.71
2005	345,000.00	54,200.00	400,000.00
2006	400,000.00	79,970.00	480,000.00
2007	410,000.00	77,100.00	487,000.00
2008	34,000.00	9,800.00	44,000.00
2009 - 20012	<u>217,000.00</u>	<u>85,000.00</u>	<u>302,000.00</u>
	<u>\$1,940,000.00</u>	<u>\$ 349,000.71</u>	<u>\$2,189,000.71</u>

**8. RELATED PARTY TRANSACTIONS**

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

**9. LITIGATION AND CLAIMS**

At June 30, 2003, the school board is involved in one pending or threatened litigation that requires disclosure in the accompanying financial statements.

**10. SUBSEQUENT EVENTS**

On July 11, 2003, the City of Baker School Board made its scheduled principal and interest payment of \$44,500.00 to the Louisiana Department of Education in accordance with the Intergovernmental Loan Agreement dated December 9, 1999. However, Louisiana House of Representatives Bill No. 1 of the 2003 Regular Session of the Legislature provides that the Louisiana Department of Education may revert back to the City of Baker School Board the annual payment due August 1, 2003.

Therefore, upon receipt of this payment, the Louisiana Department of Education voided the check, thus reversing the funds back to the school board to be used as instructed in House Bill No. 1.

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

**CITY OF BAKER SCHOOL BOARD**  
**Baker, Louisiana**  
**GENERAL FUND**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2003**

**Schedule B**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest earnings			\$ 1,227.73	\$ 1,227.73
Other			285.78	285.78
Total revenues	-	-	1,513.51	1,513.51
<b>EXPENDITURES</b>				
Board members compensation	21,000.00	21,000.00	21,000.00	(2,000.00)
Board members travel/Convention expenses	1,000.00	1,000.00	1,000.00	1,000.00
UNEMPLOYMENT COMPENSATION	4,000.00	4,000.00	390.00	3,610.00
Electric expenses	1,000.00	1,000.00	11,000.00	(9,000.00)
Legal fees	100,000.00	101,500.00	87,721.93	13,778.07
Business operations	50,000.00	50,000.00	71,104.01	(21,104.01)
Utilities	2,400.00	2,400.00	2,400.00	-
Technology start-up cost	80,000.00	81,000.00	91,000.00	(10,000.00)
Professional staff/fees	200,000.00	180,000.00	287,182.00	(87,182.00)
Professional staff travel	2,000.00	2,000.00	3,000.00	(1,000.00)
Contract staff/fees	14,000.00	14,000.00	27,074.97	(13,074.97)
Gift service	80,000.00	80,000.00	80,000.00	80,000.00
Payment due (2002) school bond	700,000.00	700,000.00	700,000.00	-
Miscellaneous	2,000.00	2,000.00	20,000.00	(18,000.00)
Total expenditures	1,490,000.00	1,490,500.00	1,490,521.93	2,521.93
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>(1,490,000.00)</b>	<b>(1,490,500.00)</b>	<b>(1,490,521.93)</b>	<b>2,521.93</b>
<b>OTHER FINANCING SOURCES (uses)</b>				
Proceeds from Sale and Bonds	1,500,000.00	1,500,000.00	1,500,000.00	-
<b>NET CHANGES IN FUND BALANCE</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>2,521.93</b>
<b>FUND BALANCE - JULY 1, 2002</b>	<b>1,120.11</b>	<b>1,120.11</b>	<b>1,120.11</b>	<b>-</b>
<b>FUND BALANCE - JUNE 30, 2003</b>	<b>\$ 11,120.11</b>	<b>\$ 11,120.11</b>	<b>\$ 11,120.11</b>	<b>\$ 2,521.93</b>

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

## SUPPLEMENTARY INFORMATION SCHEDULE

**CITY OF BAKER SCHOOL BOARD**

Baker, Louisiana

Schedule of Compensation Paid Board Members

For the Year Ended June 30, 1993

**Schedule C**

This schedule of compensation paid to school board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The compensation of school board members is included in the general administrative expenditures of the General Fund. In accordance with Louisiana Revised Statute 17:56, the school board members have elected the monthly method of compensation. Under this method, each member of the school board receives \$500.00 per month, and the president receives \$600.00 per month for performing the duties of the office.

	<u>AMOUNT</u>
Davis, Elaine, President	\$ 7,000.00
Allen, Craig	5,000.00
Carpenter, Dana	4,000.00
Doss, Calvin	1,000.00
Friedenberger, Jane	1,000.00
Gallman, George	7,000.00
Margolis, Michael	5,000.00
Total	<u>\$ 32,000.00</u>

**Melvin L. Davis**  
**Certified Public Accountant**

(A Limited Liability Company)  
P. O. Box 22888 • Baton Rouge, Louisiana 70824  
Phone (225) 774-6963 • Fax (225) 774-6968

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

City of Baker School Board  
Baker, Louisiana

**Board Members and Superintendant**

I have audited the financial statements of the City of Baker School Board as of and for the year ended June 30, 2003, and have issued my report thereon dated December 22, 2003. I conducted my 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 my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as items 2003-01 and 2003-04.

In planning and performing my audit, I 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 my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Baker School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-02 and 2003-03.

My 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

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

*Melvin L. Davis*

Baton Rouge, Louisiana  
December 22, 2000

**Melvin L. Davis**  
**Certified Public Accountant**  
(A Limited Liability Company)

**CITY OF BAKER SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2003**

I have audited the basic financial statements of the City of Baker School Board as of and for the year ended June 30, 2003, and have issued my report thereon dated December 22, 2003. I conducted my 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. My audit of the financial statements as of June 30, 2003 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses      Yes       No

**Compliance**

Compliance Material to Financial Statements      Yes       No

**B. Federal Awards**

N/A

**Section II Financial Statement Findings**

**2003-01      Capital Assets**

I noted during my audit that the City of Baker School Board has not maintained detailed records of its capital assets.

Louisiana Revised Statute 34:515 requires that the School Board maintain records of all land, buildings, improvements other than buildings, and equipment. The statute also states the records shall include information as to the date of purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of.

The preparation of detailed property records aids in the accounting for property disposals, substantiate insurance claims for lost or damaged items, and provides controls to safeguard the assets.

**CITY OF BAKER SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For the Year Ended June 30, 2003**

I recommend that written procedures be developed to ensure compliance with state law. Such procedures should require the following:

- Description, serial number, and location.
- Property identification number assigned and affixed to each asset.
- Acquisition cost and date of acquisition.
- Source of funds utilized to purchase asset.
- Useful life and method of depreciation.
- Depreciation taken on an annual basis with accumulation thereof.

**2003-03: Lack of Time and Attendance Records**

During the year ended June 30, 2003, the City of Baker School Board did not maintain time and attendance records.

Good internal accounting controls require that adequate procedures be established to ensure that all accounting transactions are properly documented and that employees' time and attendance is properly maintained, approved by the appropriate supervisor, and accurately reported.

The School Board should establish a system of maintaining time and attendance records to ensure that the time and attendance reporting process is adequately documented and controlled.

**2003-03: Annual and Sick Leave Accrual**

The City of Baker School Board does not maintain the detailed records necessary for making precise accrual of annual and sick leave liability. My estimate for this unrecorded liability is not significant for the year ended June 30, 2003; however, as the School Board personnel staff increases during the next fiscal year, the potential for problems in making an estimate in the absence of such detailed records increases.

Good business practices require that policies and procedures for documenting and recording leave earned, taken, and accumulated be established and followed for all employees. In addition, the failure to establish and implement adequate internal control over annual and sick leave for its employees subjects the School Board to inaccurate leave liability and may also affect the calculation of retirement benefits.

**CITY OF BAKER SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
For the Year Ended June 30, 2003

I recommend that the School Board implement procedures to ensure the accurate recording and accumulation of annual and sick leave for all employees.

2003-04      **Submission of Audit Report**

The City of Baker School Board's audit report for the year ended June 30, 2003 was not submitted within six (6) months of year end as required by Louisiana Revised Statute 24:534.

I recommend that the school board review its financial reporting procedures to ensure that its audited financial statements are completed and submitted to the Louisiana Legislative Auditor within the required timeframe.

**Corrective Action:** Management of the school board stated that future audit engagements will be scheduled and monitored in a manner to ensure compliance with state law.



## City of Baker School System

Post Office Box 480  
Baker, Louisiana 70704-0480  
Phone (225) 774-4794  
Fax (225) 774-4777

Send Member

January 5, 2004

Mr. Melvin L. Davis  
President  
District 1

Mr. Melvin L. Davis, C.P.A.  
Post Office Box 73360  
Baton Rouge, LA 70874

Dr. Earl Doyenne  
The President  
District 2

Dear Mr. Davis:

Mr. George Salinas  
District 3

The following responses are presented for your consideration to address the three findings of your recent audit.

Mr. Jim Pennington  
District 4

Mr. Oliver Chen  
District 5

**1. Maintenance of detailed records of capital assets.**

We accept this finding. The City of Baker School System has contracted with The Valuation Group to conduct a comprehensive audit of all property, fixed and movable. A preliminary report of their April 2003 inventory review is on file in our office. The final results of their audit (completed in July of 2003) are expected shortly. Upon receipt of the findings of the audit, a comprehensive list of property as of July 2003 will be complete. The list will be updated to include property acquired since July 1, 2003, with written procedures completed and disseminated prior to April 30, 2004, to address updates of the physical inventory as stipulated in L.R.S. 24:515.

Administrative Staff

C. Lester Elton, Jr.  
Superintendent

Baker A. Butler  
Director, Assessment

Earl Johnson  
Director, Support

Lynell Corbett  
Chief Financial

**2. Lack of maintenance of time and attendance records.**

A comprehensive time and attendance system was initiated following the July 1, 2003, transition of school operations from East Baton Rouge Parish School System to the City of Baker School System. That system is currently functioning in the central office and in all schools through a manual "sign-in" process which is recorded in the Personnel data base.

Lynell Corbett  
Chief Financial

Shel Douglas  
Special Services

Myra Joseph  
Secretary

Mark Landon  
Personnel Services

**3. Accounting for leave taken by employees.**

Effective August 2003, employees of the City of Baker School System were allocated their leave in accordance with prescribed earning rates. Leave is recorded in the Personnel data base and is doled as employees submit leave requests and record leave usage on their time and attendance sign-in records.

Miss Miller  
Comptroller

Baker Baker  
Public Programs

Miss Sims  
Special Services

Prior employees of current staff are being contacted to verify prior leave balances which will be credited to individuals as documentation is received.

Miss Wilson  
Technology

Ms. Miller  
Secretary

Thank you for the thoroughness of your audit. Please contact me should you need additional information.

Mark Wilson  
Business Manager

  
C. Lester Elton, Jr., Superintendent 31