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Morehouse Parish School Board
Bastrop, Louisiana

Annual Financial Report
As of and for the Year Ended June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 1-26-2000

**Morehouse Parish School Board
Bastrop, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 1999**

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**Morehouse Parish School Board
Bastrop, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 1999**

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Independent Auditors' Report

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

We have audited the accompanying **GENERAL-PURPOSE FINANCIAL STATEMENTS** of Morehouse Parish School Board, Bastrop, Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. 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 School Board as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The Year 2000 information on page 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the School Board is or will become Year 2000 compliant, that the School Board's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the School Board does business are or will become Year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 1999, on our consideration of the School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School Board taken as a whole. The accompanying **SUPPLEMENTAL INFORMATION** is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. 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 stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Also, the accompanying OTHER INFORMATION, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the School Board. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
September 17, 1999

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS
Combined Balance Sheet
June 30, 1999

	*****GOVERNMENTAL FUNDS*****			
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 69,030	\$ 381,974	\$ 617	\$ 0
Receivables	1,725,154	843,334	0	424,530
Interfund receivable	931,523	398	0	0
Inventory	3,585	16,359	0	0
Land, buildings and equipment	0	0	0	0
Other debits:				
Amount to be provided for retirement of general long-term obligations	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	\$ 2,729,292	\$ 1,242,065	\$ 617	\$ 424,530
LIABILITIES, EQUITY (Deficit) AND OTHER CREDITS				
Liabilities:				
Accounts, salaries and other payables	\$ 2,768,158	\$ 404,179	\$ 0	\$ 192,569
Interfund payable	398	539,248	17,155	375,120
Deferred revenues	0	1,814	0	0
Deposits due others	0	0	0	0
Certificates of indebtedness payable	0	0	0	0
Notes payable	0	0	0	0
Capital leases payable	0	0	0	0
Compensated absences payable	0	0	0	0
Total Liabilities	\$ 2,768,556	\$ 945,241	\$ 17,155	\$ 567,689
Equity (Deficit) and other credits:				
Investment in general fixed assets	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:				
Reserved for inventory	3,585	14,545	0	0
Reserved for workers' compensation claims	4,978	0	0	0
Unreserved:				
Undesignated	(47,827)	282,279	(16,538)	(143,159)
Total Equity (Deficit) and Other Credits	\$ (39,264)	\$ 296,824	\$ (16,538)	\$ (143,159)
TOTAL LIABILITIES, EQUITY (Deficit), AND OTHER CREDITS	\$ 2,729,292	\$ 1,242,065	\$ 617	\$ 424,530

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement A

*****ACCOUNT GROUPS*****

FIDUCIARY- AGENCY FUNDS	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
\$ 280,143	\$ 0	\$ 0	\$ 731,764
0	0	0	2,993,018
0	0	0	931,921
0	0	0	19,944
0	32,487,201	0	32,487,201
0	0	1,286,482	1,286,482
<u>\$ 280,143</u>	<u>\$ 32,487,201</u>	<u>\$ 1,286,482</u>	<u>\$ 38,450,330</u>
0	0	0	3,364,906
0	0	0	931,921
0	0	0	1,814
280,143	0	0	280,143
0	0	87,000	87,000
0	0	50,297	50,297
0	0	154,720	154,720
0	0	994,465	994,465
<u>\$ 280,143</u>	<u>\$ 0</u>	<u>\$ 1,286,482</u>	<u>\$ 5,865,266</u>
\$ 0	\$ 32,487,201	\$ 0	\$ 32,487,201
0	0	0	18,130
0	0	0	4,978
0	0	0	74,755
<u>\$ 0</u>	<u>\$ 32,487,201</u>	<u>\$ 0</u>	<u>\$ 32,585,064</u>
<u>\$ 280,143</u>	<u>\$ 32,487,201</u>	<u>\$ 1,286,482</u>	<u>\$ 38,450,330</u>

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

**ALL GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficit)
For the Year Ended June 30, 1999**

Statement B

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 2,339,022	\$ 0	\$ 676	\$ 436,661	\$ 2,776,359
Sales and use	3,809,235	0	0	374,889	4,184,124
Investment income	32,057	0	1,889	4,923	38,869
Food services	0	237,042	0	0	237,042
Other	1,440,845	0	0	405,887	1,846,732
State sources:					
Equalization	17,055,792	150,000	0	0	17,205,792
Other	1,293,755	45,906	0	0	1,339,661
Federal sources	141,726	4,993,621	0	0	5,135,347
Total Revenues	\$ 26,112,432	\$ 5,426,569	\$ 2,565	\$ 1,222,360	\$ 32,763,926
EXPENDITURES					
Current:					
Instruction:					
Regular programs	\$ 11,765,809	\$ 48,833	\$ 0	\$ 0	\$ 11,814,642
Special programs	3,339,568	1,676,556	0	0	5,016,124
Other instructional programs	1,241,028	548,789	0	0	1,789,817
Support services:					
Student services	976,601	58,454	0	0	1,035,055
Instructional staff support	1,011,406	500,451	0	0	1,511,857
General administration	461,255	74,776	0	81,303	617,335
School administration	1,957,018	0	0	0	1,957,018
Business services	277,801	78,190	0	0	355,991
Plant services	1,966,088	88,197	0	661,114	2,715,399
Student transportation services	1,469,850	21,265	0	0	1,491,115
Central services	165,526	74,584	0	0	240,110
Food services	400,455	2,258,501	0	0	2,658,956
Community service programs	3,013	0	0	0	3,013
Facilities acquisition & construction	180	0	0	662,052	662,232
Debt service:					
Principal retirement	62,423	23,094	902,313	0	987,830
Interest and bank charges	40,054	2,074	27,513	0	69,641
Total Expenditures	\$ 25,138,075	\$ 5,453,764	\$ 929,826	\$ 1,404,469	\$ 32,926,135
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	\$ 974,357	\$ (27,195)	\$ (927,261)	\$ (182,109)	\$ (162,209)

(CONTINUED)

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

**ALL GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficit)
For the Year Ended June 30, 1999**

Statement B

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	\$ 0	\$ 0	\$ 0	\$ 30,586	\$ 30,586
Operating transfers out	0	0	0	(30,586)	(30,586)
Proceeds from sale of fixed assets	4,313	0	0	0	4,313
Total Other Financing Sources (Uses)	\$ 4,313	\$ 0	\$ 0	\$ 0	\$ 4,313
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	\$ 978,670	\$ (27,195)	\$ (927,261)	\$ (182,109)	\$ (157,896)
FUND BALANCES AT BEGINNING OF YEAR					
	(1,017,934)	324,019	910,723	38,950	255,758
FUND BALANCES (Deficit) AT END OF YEAR					
	\$ (39,264)	\$ 296,824	\$ (16,538)	\$ (143,159)	\$ 97,862

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

GOVERNMENTAL FUNDS - GENERAL FUND
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances (Deficit) - Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 1999

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 2,428,325	\$ 2,339,022	\$ (89,303)
Sales and use	3,700,000	3,809,235	109,235
Investment income	60,000	32,057	(27,943)
Other	668,298	695,539	27,241
State sources:			
Equalization	17,055,794	17,055,792	(2)
Other	1,385,906	1,410,461	24,555
Total Revenues	<u>\$ 25,298,323</u>	<u>\$ 25,342,106</u>	<u>\$ 43,783</u>
EXPENDITURES			
Current:			
Instruction:			
Regular programs	\$ 11,483,733	\$ 11,765,809	\$ (282,076)
Special programs	3,033,015	3,339,568	(306,553)
Other instructional programs	1,252,254	1,241,028	11,226
Support services:			
Student services	949,640	976,601	(26,961)
Instructional staff support	947,031	980,711	(33,680)
General administration	415,141	461,255	(46,114)
School administration	1,856,235	1,957,018	(100,783)
Business services	241,873	277,801	(35,928)
Plant services	1,881,093	1,966,088	(84,995)
Student transportation services	1,389,437	1,469,850	(80,413)
Central services	154,900	165,526	(10,626)
Food services	396,610	400,455	(3,845)
Community service programs	0	3,013	(3,013)
Facilities acquisition and construction	180	180	0
Debt service:			
Principal retirement	100,000	62,423	37,577
Interest and bank charges	102,500	40,054	62,446
Total Expenditures	<u>\$ 24,203,642</u>	<u>\$ 25,107,380</u>	<u>\$ (903,738)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ 1,094,681</u>	<u>\$ 234,726</u>	<u>\$ (859,955)</u>

(CONTINUED)

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

**GOVERNMENTAL FUNDS - GENERAL FUND
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances (Deficit) - Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 1999**

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of fixed assets	\$ 4,300	\$ 4,313	\$ 13
Proceeds from insurance	<u>0</u>	<u>739,631</u>	<u>739,631</u>
 Total Other Financing Sources (Uses)	 <u>\$ 4,300</u>	 <u>\$ 743,944</u>	 <u>\$ 739,644</u>
 EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 <u>\$ 1,098,981</u>	 <u>\$ 978,670</u>	 <u>\$ (120,311)</u>
 FUND BALANCES AT BEGINNING OF YEAR	 <u>(1,017,934)</u>	 <u>(1,017,934)</u>	 <u>0</u>
 FUND BALANCES (Deficit) AT END OF YEAR	 <u>\$ 81,047</u>	 <u>\$ (39,264)</u>	 <u>\$ (120,311)</u>

(CONTINUED)

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances (Deficit) - Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 1999

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local sources:			
Food services	\$ 222,620	\$ 237,042	\$ 14,422
State sources:			
Equalization	150,000	150,000	0
Other	46,091	71,392	25,301
Federal sources	<u>4,989,046</u>	<u>4,968,135</u>	<u>(20,911)</u>
 Total Revenues	 <u>\$ 5,407,757</u>	 <u>\$ 5,426,569</u>	 <u>\$ 18,812</u>
 EXPENDITURES			
Current:			
Instruction:			
Regular programs	\$ 49,349	\$ 48,833	\$ 516
Special programs	1,860,385	1,701,724	158,661
Other instructional programs	496,315	548,789	(52,474)
Support services:			
Student services	61,256	58,454	2,802
Instructional staff support	490,228	500,451	(10,223)
General administration	77,217	74,776	2,441
Business services	76,523	78,190	(1,667)
Plant services	88,197	88,197	0
Student transportation services	21,083	21,265	(182)
Central services	74,584	74,584	0
Food services	<u>2,147,331</u>	<u>2,258,501</u>	<u>(111,170)</u>
 Total Expenditures	 <u>\$ 5,442,468</u>	 <u>\$ 5,453,764</u>	 <u>\$ (11,296)</u>
 EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	 \$ (34,711)	 \$ (27,195)	 \$ 7,516
 FUND BALANCES AT BEGINNING OF YEAR	 <u>324,019</u>	 <u>324,019</u>	 <u>0</u>
 FUND BALANCES (Deficit) AT END OF YEAR	 <u>\$ 289,308</u>	 <u>\$ 296,824</u>	 <u>\$ 7,516</u>

(CONCLUDED)

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

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**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Morehouse Parish 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.

A. REPORTING ENTITY

The Morehouse Parish School Board was created by Louisiana Revised Statute (LSA-R.S.) 17:51 to provide public education for the children within Morehouse Parish. The School Board is authorized by LSA-R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates sixteen schools within the parish with a total enrollment of approximately 5,584 pupils. In conjunction with the regular educational programs, some of these schools offer special education and/or adult education programs. In addition, the School Board provides transportation and school food services for the students.

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

B. FUNDS AND ACCOUNT GROUPS

The accounts of the School Board are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUNDS AND ACCOUNT GROUPS (Continued)

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

Governmental Funds

Governmental funds account for the School Board's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General fund – the primary operating fund of the School Board accounts for all financial resources except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Debt service fund – accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital project funds – account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the School Board.

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The agency fund is as follows:

School activity agency fund – accounts for assets held by the School Board as an agent for the individual schools and school organizations.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUNDS AND ACCOUNT GROUPS (Continued)

Account Groups

The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds.

The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Funds

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

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

Revenues

Ad valorem taxes and sales taxes are susceptible to accrual.

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

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

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees who elect to be paid over twelve months are accrued at June 30.

Operating supplies are recorded as expenditures in the accounting period they are purchased.

Substantially all other expenditures are recognized when the related fund liability has been incurred.

Other Financing Sources (Uses)

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

Fiduciary Funds

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School Board holds for others in an agency capacity.

D. BUDGETS

General Budget Policies

The School Board follows these procedures in establishing the budgetary data reflected in the combined financial statements:

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

Each year prior to September 15, the Superintendent submits to the Board proposed annual budgets for the general fund and special revenue funds that are not grant-oriented. Public hearings are conducted, prior to the Board's approval, to obtain taxpayer comments. Grant funds are included in special revenue funds and their budgets are adopted at the time the grant applications are approved by the grantor. The operating budgets include proposed expenditures and the means of financing them.

Appropriations (unexpended budget balances) lapse at year end.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS (Continued)

General Budget Policies (Continued)

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the function level. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. These revisions were considered insignificant by the Board. All budget revisions are approved by the Board.

Encumbrances

Encumbrance accounting is employed in the governmental funds. Outstanding encumbrances (e.g., purchase orders, contracts) lapse after 90 days. To the extent the Board intends to honor the purchase orders and commitments, they are disclosed in the notes to the financial statements. Authorization for the eventual expenditure will be included in the following year's budget appropriations.

Budget Basis of Accounting

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

E. CASH AND CASH EQUIVALENTS

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

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INVENTORIES

Inventories of the governmental fund type are recorded as expenditures when purchased, except for inventory of the school food service fund.

Inventory of the school food service (special revenue fund) consists of food purchased by the School Board and commodities granted by the United States Department of Agriculture through the Louisiana Department of Agriculture and Forestry. The commodities are recorded as revenues when received; however, all inventory items are recorded as expenditure when consumed. Unused commodities at June 30, are reported as deferred revenue. All purchased inventory items are valued at cost (first-in, first-out) and commodities are assigned values based on information provided by the United States Department of Agriculture.

H. FIXED ASSETS

Fixed assets used in governmental fund types of the School Board are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest during construction is not capitalized on general fixed assets.

Approximately 90% of fixed assets are valued at actual costs, while the remaining 10% are valued at estimated cost based on the actual cost of like items.

Public domain (infrastructure) general fixed assets (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

I. DEFERRED REVENUES

The School Board reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the School Board before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the School Board has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

J. COMPENSATED ABSENCES

All twelve-month employees earn from twelve to eighteen days of sick leave each year, depending on their length of service. All employees working on a nine-month basis earn ten days of sick leave each year. Nine-month employees who work during the summer receive an additional one day of sick leave for each four weeks of summer work. Sick leave may be accumulated and carried forward to succeeding years without limitation. Upon retirement or death, employees or their heirs are paid for the value of accumulated sick leave not to exceed twenty-five days at the employee's current rate of pay. Under the Louisiana Teachers' Retirement System and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement benefit computation as earned service.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COMPENSATED ABSENCES (Continued)

All twelve-month employees earn from ten to fifteen days of vacation leave each year, depending upon their length of service with the School Board. Twelve-month employees may accumulate and carry forward a maximum of fifteen days' vacation time to succeeding years. Any employee's vacation leave in excess of fifteen days is forfeited at year end without compensation. Upon separation of employment, all employees are paid for unused vacation leave.

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

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

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

Only the current portion of the liability for compensated absences is reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability is reported in the general long-term obligations account group. The School Board uses approach B to calculate the accrued sick leave liability.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS

The School Board reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

L. FUND EQUITY

Reserves

Reservations of fund balance represent those amounts that are not appropriable or are legally segregated for a specific purpose.

Designated Fund Balances

Designated fund balances represent tentative management plans that are subject to change.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. SALES TAXES

The Morehouse Parish School Board has two sales tax ordinances as follows:

The School Board has a one cent parish-wide sales and use tax as authorized in a special election held November 18, 1989. In accordance with the proposition approved by the voters of the parish, the net "revenues derived from said sales and use tax is to be dedicated and used solely for the purpose of providing funds for the payment of salaries of school employees in the Parish of Morehouse."

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. SALES TAXES (Continued)

The School Board has a one half cent parish-wide sales and use tax. It was authorized in a special election held July 18, 1992. In accordance with the proposition approved by the voters of the parish, the net revenues derived from said sales and use tax is "to be dedicated and used for the purpose of acquiring, constructing, renovating, improving, equipping, furnishing, maintaining and operating public schools and school-related facilities in Morehouse parish and for paying salaries and benefits for teachers and other personnel employed by the Morehouse Parish School Board." The tax is levied for a six-year period ending September 30, 2003.

O. USE OF ESTIMATES

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

P. MEMORANDUM ONLY - TOTAL COLUMNS

The total columns on the general-purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances/Retained Earnings

The following funds have a deficit in the fund balance at June 30, 1999:

<u>Fund</u>	<u>Deficit Amount</u>
General Fund	\$ 39,264
Debt Service Fund	16,538
Capital Projects Funds	
Capital Improvements	143,159

Management expects to correct the deficits in both the general fund and capital improvements fund with 1999-2000 revenue sources. They expect to correct the deficit in the debt service fund by a transfer from the general fund.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures Over Appropriations in Individual Funds

The following individual funds had actual expenditures over budgeted expenditures for the year ended June 30, 1999:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$24,203,642	\$25,107,380	\$903,738
Special Revenue Funds			
Miscellaneous State Grants	21,951	51,559	29,608
School Food Service	2,147,331	2,258,501	111,170
Special Federal	507,274	532,191	24,917

The miscellaneous state grants and special federal funds budgets are over budget because there were activities within each fund that were not required to adopt budgets.

NOTE 3 - BUDGET/GAAP RECONCILIATION

The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget (Non-GAAP Basis) to Actual, to the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances:

	<u>General Fund</u>	<u>Special Revenue</u>
Fund balances, end of the year (budget)	\$(39,264)	\$ 296,824
Revenues		
Local sources: other	(745,306)	25,486
State sources: other	116,706	
Federal sources	(141,726)	(25,486)
Expenditures		
Current		
Instruction:		
Special programs		(25,168)
Support Services:		
Instructional staff support	30,695	
Debt Services:		
Principal retirement		23,094
Interest and bank charges		2,074
Other financing sources (uses)		
Proceeds from insurance	<u>739,631</u>	<u> </u>
Fund balances, end of the year (GAAP)	<u>\$(39,264)</u>	<u>\$ 296,824</u>

Budget/GAAP reporting differences for the general and special revenue funds are a result of classification and on-behalf payments which are not budgeted but are included for GAAP reporting purposes.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 4 - LEVIED TAXES

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

The Morehouse Parish Sheriff's Office bills and collects all property taxes for the School Board except for the property located in the city of Bastrop which is billed and collected by the city of Bastrop. Collections are remitted to the School Board monthly.

Property Tax Calendar

	<u>Parish (Except City of Bastrop)</u>	<u>City of Bastrop</u>
Tax bills mailed	About November 15, 1998	About November 15, 1998
Total taxes are due	December 31, 1998	December 31, 1998
Lien date	January 1, 1999	March 15, 1999
Penalties and interest are added	January 1, 1999	March 15, 1999

Assessed values are established by the Morehouse Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 1996. Total assessed value was \$125,240,270 in calendar year 1998. Louisiana state law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$27,754,860 of the assessed value in calendar year 1998.

State law requires the Morehouse Parish Sheriff's Department to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 and March 15 as noted in the above property tax calendar of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Morehouse Parish Sheriff's Department is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the general fund and debt service fund. Revenues in such funds are recognized in the accounting period in which they become measurable and available. Property taxes are considered measurable in the calendar year of the tax levy. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Available means due, or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The remaining property taxes receivable are considered available because they are substantially collected within 60 days subsequent to year-end.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 4 - LEVIED TAXES (Continued)

The tax roll is prepared by the parish tax assessor in November of each year; therefore, the amount of 1999 property taxes to be collected occurs in December 1999 and January and February of 2000. As a result, no property taxes receivable for 1999 taxes is included on the accompanying balance sheet because it is not available within 60 days of the School Boards year-end.

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

The following is a summary of authorized and levied (tax rate per \$1,000 Assessed Value) ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide taxes:			
Constitutional	5.57	5.57	Statutory
Maintenance and operation	6.88	6.88	2004
Maintenance and operations	6.41	6.41	2005
1998 tax renewal	10.00	10.00	2003

NOTE 5 - CASH AND CASH EQUIVALENTS

At June 30, 1999, the School Board had cash and cash equivalents (book balances) totaling \$ as follows:

Demand deposits	\$ 63,085
Interest-bearing demand deposits	<u>668,679</u>
 Total cash and cash equivalents	 <u>\$731,764</u>

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.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

At year-end, the School Board's carrying amount of deposits was \$731,764 and the bank balance was \$1,566,601. Of the bank balance, \$335,465 was covered by federal depository insurance or by collateral held by the School Board's agent in the School Board's name (GASB Category 1). The remaining balance of \$1,231,136 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School Board's name (GASB Category 3).

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

NOTE 6 - RECEIVABLES

The receivables of \$2,993,018 at June 30, 1999, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Taxes				
Sales and use	\$ 576,202	\$ -	\$ 55,545	\$ 631,747
Ad valorem	4,239	-	2,318	6,557
Intergovernmental - grants:				
Federal	19,242	843,334	-	862,576
State	283,651	-	-	283,651
Other	<u>841,820</u>	<u>-</u>	<u>366,667</u>	<u>1,208,487</u>
Total	<u>\$1,725,154</u>	<u>\$843,334</u>	<u>\$424,530</u>	<u>\$2,993,018</u>

NOTE 7 - FIXED ASSETS

The changes in general fixed assets are as follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Land	\$ 240,013	\$ -	\$ -	\$ 240,013
Buildings	23,815,792	183,500	-	23,999,292
Furniture and equipment	<u>7,907,776</u>	<u>869,407</u>	<u>529,287</u>	<u>8,247,896</u>
Total	<u>\$31,963,581</u>	<u>\$1,052,907</u>	<u>\$529,287</u>	<u>\$32,487,201</u>

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 8 - RETIREMENT SYSTEMS

Plan description

Substantially all School Board employees participate in either the Teachers' Retirement System or the Louisiana School Employees' Retirement System (the Systems), which are cost-sharing, multiple-employer public employee retirement systems (PERS). Benefit provisions are ultimately approved and amended by the Louisiana Legislature.

Participation in the Teachers' Retirement System is divided into two plans - the Teachers' Regular Plan and the Teachers' Plan B. In general, professional employees (such as teachers and principals) and lunchroom workers are members of the Louisiana Teachers' Retirement System (TRS); other employees, such as custodial personnel and bus drivers, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the system.

With respect to the Teachers' Retirement System Regular Plan, normal retirement is at age 60 with ten years of service, or at any age with 20 years of service. The formula for annual maximum retirement benefits is generally 2% (with less than 25 years of service) or 2.5% (with 25 or more years of service) times the years of creditable service times the average salary of the 36 highest successive months (plus \$300 applicable to persons becoming members prior to July 1, 1986).

Under the Teachers' Retirement System Plan B, normal retirement is at age 55 with at least 30 years of creditable service or at age 60 with at least ten years of creditable service. The retirement benefit formula is generally 2% times the years of creditable service times the retirees' average salary of the 36 highest successive months.

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

Both TRS and LSERS issue annual financial reports. The reports can be obtained by telephoning or writing to the following:

Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123
(225) 925-6446

Louisiana School Employees' Retirement System
Post Office Box 44516
Baton Rouge, Louisiana 70804
(225) 925-6484

Funding Policy

Each system is administered and controlled at the state level by a separate board of trustees, with contribution rates approved and amended by the Louisiana Legislature. Benefits of the systems are funded by employee and employer contributions. Benefits granted by the retirement systems are guaranteed by the state of Louisiana under provisions of the Louisiana Constitution of 1974. 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 remittances from the School Board. For the LSERS, the School Board's employer contribution is funded by the state of Louisiana through annual appropriations.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 8 - RETIREMENT SYSTEMS (Continued)

In addition, the employer does not remit to the Teachers' Retirement System, Regular Plan or Plan B, the employer's contribution for the professional improvement program (PIP) portion of payroll. The PIP contribution is made directly to the Retirement System by the state of Louisiana.

Contribution rates (as a percentage of covered salaries) for active plan members as established by the Louisiana Legislature for the year ended June 30, 1998 are as follows:

	<u>Employee</u>	<u>Employer</u>
Louisiana Teachers' Retirement System:		
Regular	8.00%	16.50%
Plan A	5.00%	16.50%
Louisiana School Employees' Retirement System	6.35%	6.00%

Total covered payroll of the School Board for TRS - Regular Plan, TRS - Plan B, and LSERS for the year ended June 30, 1999 amounted to \$14,648,450, \$691,151, and \$1,504,596 respectively. Employer contributions for the year ended June 30, 1999 and each of the two preceding years are as follows:

<u>Fiscal Year Ending</u>TRS.....	LSERS.....	
	Annual Actuarially Required Contribution	Percentage of Annual Required Contribution Paid	Annual Actuarially Required Contribution	Percentage of Annual Required Contribution Paid
June 30, 1997	\$2,089,393	92.32	\$82,119	100.36
June 30, 1998	2,343,933	88.89	85,709	96.39
June 30, 1999	2,830,190	89.43	93,726	96.32

Annual actuarially required contributions for each plan above is based on the plan's annual financial report for that year except for the year ended June 30, 1999. Each annual actuarially required contribution for the year ended June 30, 1999 is based upon each plan's annual financial report for the year ended June 30, 1998 which is the latest information available.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The School Board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the School Board's employees become eligible for these benefits if they reach normal retirement age while working for the School Board. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program. The cost of benefits for current retired employees is paid jointly by the employee and by the School Board. The School Board's portion of the cost is recognized as an expenditure when the monthly premiums are paid. The cost of retiree benefits for 1999 totaled \$1,178,533 for 455 retirees.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 10 - ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$3,364,906 at June 30, 1999, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Salaries and withholding	\$2,272,778	\$275,727	\$ -	\$2,548,505
Accounts	430,219	128,452	186,711	745,382
Retainage payable	-	-	5,858	5,858
Incurred but not reported claims	<u>65,161</u>	<u>-</u>	<u>-</u>	<u>65,161</u>
Total	<u>\$2,768,158</u>	<u>\$404,179</u>	<u>\$192,569</u>	<u>\$3,364,906</u>

NOTE 11 - COMPENSATED ABSENCES

At June 30, 1999, employees of the School Board have accumulated and vested \$994,465 of employee leave benefits, including \$129,895 of salary related benefits. These employee leave benefits were computed in accordance with GASB Codification Section C60. This amount is not expected to be paid from current available resources; therefore, the liability of \$994,465 is recorded within the general long-term obligations account group.

NOTE 12 - AGENCY FUND - DEPOSITS DUE OTHERS

A summary of changes in agency fund deposits due others follows:

Balance, June 30, 1998	\$ 225,286
Additions	1,170,076
Deductions	<u>1,115,219</u>
Balance, June 30, 1999	<u>\$ 280,143</u>

NOTE 13 - LEASES

Capital Leases. The School Board records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

<u>Type</u>	<u>Recorded Amount</u>
Computer lab	\$172,264
School buses	555,504
Mower	7,455
Computer lab	44,287

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 13 - LEASES (Continued)

The remaining minimum lease payments under capital leases, and the present value of the net minimum lease payments at June 30, 1999 are as follows:

	<u>Computer Lab</u>	<u>12 School Buses</u>	<u>Mower</u>	<u>Total</u>
Year ending June 30, 2000	<u>\$39,361</u>	<u>\$124,233</u>	<u>\$469</u>	<u>\$164,063</u>
Total minimum lease payments	39,361	124,233	469	164,063
Less amount representing interest	<u>2,623</u>	<u>6,714</u>	<u>6</u>	<u>9,343</u>
Present value of future minimum lease payments	<u>\$36,738</u>	<u>\$117,519</u>	<u>\$463</u>	<u>\$154,720</u>

NOTE 14 - GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 1999:

	<u>Certificate of Indebtedness</u>	<u>Note Payable EPA</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, June 30, 1998	\$1,045,000	\$55,297	\$292,364	\$1,145,809	\$2,538,470
Additions	-	-	-	-	-
Deductions	<u>958,000</u>	<u>5,000</u>	<u>137,644</u>	<u>151,344</u>	<u>1,251,988</u>
Balance, June 30, 1999	<u>\$ 87,000</u>	<u>\$50,297</u>	<u>\$154,720</u>	<u>\$ 994,465</u>	<u>\$1,286,482</u>

Individual general obligation issues are as follows:

<u>Obligation</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>
Certificate of indebtedness Series 1995	240,000	6.50%	Oct. 1, 2000	\$ 87,000
EPA note	377,937	0.00%	May 30, 2012	<u>50,297</u>
Total				<u>\$137,297</u>

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 14 - GENERAL LONG-TERM OBLIGATIONS (Continued)

The obligations are due as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2000	\$ 62,000	\$4,745	\$ 66,745
2001	35,000	975	35,975
2002	5,000	-	5,000
2003	5,000	-	5,000
2004	5,000	-	5,000
Thereafter	<u>25,297</u>	<u>-</u>	<u>25,297</u>
Total	<u>\$137,297</u>	<u>\$5,720</u>	<u>\$143,017</u>

In accordance with Louisiana Revised Statute 39:562, the School Board is legally restricted from incurring long-term debt in excess of 35 percent of the assessed value of taxable property. At June 30, 1999, the statutory limit is \$43,834,094, and outstanding net bonded debt totals \$137,297.

NOTE 15 - INTERFUND ASSETS/LIABILITIES

Due from/to others:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue Funds:	
	Title I	\$327,200
	Title VI	21,583
	Special Education	25,627
	Preschool	5,252
	Miscellaneous State Grants	1,797
	Drug Free - Title IV	365
	Special Federal	<u>157,424</u>
Subtotal		539,248
	Capital Project Funds:	
	Capital Improvements	375,120
	Debt Service	17,155
Special Revenue Funds		
Special Federal	General	<u>398</u>
Total		<u>\$931,921</u>

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 16 - RESERVED FUND BALANCES

Reservations:

Inventory This amount represents the portion of fund balance relating to inventory on hand which is therefore unavailable to be expended for other purposes.

Workers' Compensation Claims The amount represents the portion of fund balance that has been reserved to cover possible workers' compensation claims.

NOTE 17 - LITIGATION AND CLAIMS

Litigation

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

Grant Disallowance

The School Board participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The School Board's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Tax Arbitrage Rebate

Under the Tax Reform Act of 1986, interest earned on the debt proceeds in excess of interest expense prior to the disbursement of the proceeds must be rebated to the Internal Revenue Service (IRS). Management believes there is no tax arbitrage rebate liability at year end.

Self-Insurance

The School Board is partially self-insured for workers' compensation. The School Board maintains stop-loss coverage with an insurance company for claims in excess of \$200,000 per occurrence for each employee for workers' compensation insurance coverage. All known claims filed and an estimate of incurred but not reported claims based on experience of the School Board are made and accrued as necessary in the financial statements. A portion of fund balance of the general fund has been designated for payment of future claims.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 18 - ENCUMBRANCES

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances are reappropriated in the next year. At June 30, 1999, the School Board had entered into purchase orders and commitments as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Total encumbrances	<u>\$383,019</u>	<u>\$61,736</u>	<u>\$20,430</u>	<u>\$465,185</u>

NOTE 19 - SUBSEQUENT EVENTS

On July 1, 1999, the School Board issued \$2,500,000 of certificates of indebtedness to construct additional classrooms for the elementary schools and to redo the roofs of several elementary schools and the roof of the auditorium at Delta High School.

In July 1999, the School Board began a \$1,435,000 construction project at Bastrop High School, Delta High School, Oak Hill Elementary and Southside Elementary.

In October 1999, the School Board approved a contract for \$226,699 to reroof Bonita Elementary and Bastrop Middle School's main office, eighth grade building, gymnasium and library.

On November 2, 1999, the School Board approved Revenue Anticipation Note in the amount of \$1,500,000. Ad valorem tax revenues to be collected in January and February 1999 was pledged as collateral.

NOTE 20 - RISK MANAGEMENT

The School Board is engaged in a risk management program for workers' compensation insurance. Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers claims over \$200,000. Interfund premiums are based primarily upon the individual funds' payroll and are reported as expenditures in the individual funds.

Claims amounts for the three most recent fiscal years are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Benefit Payments and Claims</u>	<u>Ending of Fiscal Year Liability</u>
Workers' Compensation:				
1996-1997	\$76,842	\$171,049	\$178,082	\$69,809
1997-1998	69,809	153,346	173,996	49,159
1998-1999	49,159	102,535	86,533	65,161

In addition, the School Board has entered into insurance contracts for coverage of property, liability, and bonding of employees.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the General-Purpose Financial Statements
As of and for the Year Ended June 30, 1999**

NOTE 21 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

On-behalf payments for fringe benefits and salaries are direct payments made by an entity (the paying agent) to a third-party recipient for the employees of another, legally separate entity (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments.

The state of Louisiana made pension contributions (regarding Professional Improvement Program) directly to the Teachers' Retirement System of Louisiana on behalf of the School Board in the amount of \$27,535. This amount was recognized as state revenue and a corresponding expenditure in the applicable fund from which the salary was paid.

The School Board is a member of the North Louisiana Education Consortium (NLEC), comprised of twelve school boards. One of the other school boards serves as the fiscal agent and pays the bills for all participating members of the Consortium. This fiscal agent paid \$30,695 for salaries and benefits for the School Board. The amount has been recorded as federal revenue and as an expenditure in the applicable fund.

**Morehouse Parish School Board
Bastrop, Louisiana**

REQUIRED SUPPLEMENTAL INFORMATION

**Morehouse Parish School Board
Bastrop, Louisiana**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 1999**

On March 29, 1999, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin (TB) 99-1, *Disclosures about Year 2000 Issues - an amendment of Technical Bulletin 98-1*. The amendment, among other things, provides that required Year 2000 disclosures may be reported as required supplementary information. The School Board reported the Year 2000 disclosures as required supplemental information.

Year 2000 Information

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

The School System has two data processing systems that are critical to the proper functioning of financial operations, the accounting system and the student data collection system. As of June 30, 1999, the Business Department has determined that the computer used for accounting functions was unable to recognize the year 2000, and we have purchased new operating software that has been tested and confirmed 2000 compliant by the developer. In addition, the accounting software package running on this computer has also been tested and confirmed 2000 compliant by its developer.

The state of Louisiana distributes a substantial sum of money to the System in the form of "foundation" and federal and state grant payments. The foundation payments are based on student and financial data that is collected from the School Board and its schools. As of June 30, 1999, the School System has assessed the student data collection system and received updated software that is 2000 compliant. Further, the state processes a significant amount of financial and non-financial information about the System through the state's Department of Education management information system. The state is responsible for the remediation of these systems.

Because of the unprecedented nature of the Year 2000 issue, success of remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the School System's remediation efforts will be successful in whole or in part, or that parties with whom the School System does business will be Year 2000-ready.

**Morehouse Parish School Board
Bastrop, Louisiana**

SUPPLEMENTAL INFORMATION

**Morehouse Parish School Board
Bastrop, Louisiana**

SPECIAL REVENUE FUNDS

TITLE I

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

TITLE VI

This grant assists state and local educational agencies in improving elementary and secondary education.

Grants are awarded for students at risk of failure in school; instructional materials; school-wide improvements and effective school programs; training and professional development; early identification of children with reading disabilities, personal excellence of students and student achievements; and innovative enhancements projects to the educational program and climate of the school.

MATH AND SCIENCE - TITLE II

This program is designed to improve the skills of teachers and the quality of instruction in mathematics and science, also to increase the accessibility of such instruction to all students.

SPECIAL EDUCATION

These grants to states assist them in providing a free appropriate public education to all children with disabilities.

SUMMER SCHOOL

This program provides extended summer education to all qualified students.

PRESCHOOL

These grants to states assist them in providing a free appropriate public education to preschool disabled children aged three through five years.

MISCELLANEOUS STATE GRANTS

These funds provide financial assistance for contracted services such as speech, physical and occupational therapy.

SCHOOL FOOD SERVICE

Through cash grants and food donations, the school food services fund assist in providing a nutritious breakfast and lunch service for school students and to encourage the domestic consumption of nutritious agricultural commodities.

DRUG FREE - TITLE IV

This program was designed to establish state and local programs of alcohol and drug abuse education and prevention coordinated with related community efforts and resources.

(Continued)

**Morehouse Parish School Board
Bastrop, Louisiana**

SPECIAL REVENUE FUNDS

SPECIAL FEDERAL

BASIC GRANTS TO STATES

The purpose of these grants are to make the United States more competitive in the world economy by developing more fully the academic and occupational skills of all segments of the population, principally through concentrating resources on improving educational programs leading to academic and occupational skills needed to work in a technologically advanced society.

CHILD CARE AND DEVELOPMENT BLOCK GRANT

This program makes grants available to assist low-income families with child care services. The purpose of the program is to increase the availability, affordability, and quality of child care and to increase the availability of early childhood development and before- and after-school programs.

TECH-PREP EDUCATION

The purpose of this grant is to develop and operate a four-year program designed to provide a tech-prep education program leading to a two-year associate degree or a two-year certification and to provide links between secondary schools and post-secondary educational institutions.

ADULT EDUCATION - STATE-ADMINISTERED BASIC GRANT PROGRAM

This program was designed to improve educational opportunities for adults and to encourage the establishment of adult education programs that will enable all adults to acquire basic educational skills necessary to function in a literate society, enable adults who so desire to complete secondary school, and enable adults to benefit from job training and retraining programs and obtain productive employment to more fully enjoy the benefits and responsibilities of citizenship.

Special emphasis is given to programs of instruction in computational skills and in speaking, reading, or writing English for those adults who are educationally disadvantaged.

JOB TRAINING PARTNERSHIP ACT (JTPA)

The JTPA program provides job training and related assistance to economically disadvantaged individuals and others who face significant employment barriers. The ultimate goal of the Job Training Partnership Act is to move trainees into permanent, self-sustaining employment.

ROTC

ROTC is a federally funded program through the Department of Defense.

SCHOOL TO WORK

This program was designed to equip students with the skills they need to perform the jobs of a modern, competitive world economy.

(Concluded)

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 1999

	TITLE I	TITLE VI	MATH AND SCIENCE - TITLE II	SPECIAL EDUCATION
ASSETS				
Cash and cash equivalents	\$ 0	\$ 0	\$ 1,272	\$ 2,236
Receivables	504,898	21,583	8,648	37,673
Interfund receivable	0	0	0	0
Inventory	0	0	0	0
TOTAL ASSETS	\$ 504,898	\$ 21,583	\$ 9,920	\$ 39,909
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts, salaries and other payables	\$ 177,698	\$ 0	\$ 9,920	\$ 14,282
Interfund payable	327,200	21,583	0	25,627
Deferred revenues	0	0	0	0
Total Liabilities	\$ 504,898	\$ 21,583	\$ 9,920	\$ 39,909
 Fund Balances:				
Reserved for inventory	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved - undesignated	0	0	0	0
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES AND FUND BALANCES	\$ 504,898	\$ 21,583	\$ 9,920	\$ 39,909

Exhibit 1

SUMMER SCHOOL	PRESCHOOL	MISCELLANEOUS STATE GRANTS	SCHOOL FOOD SERVICE	DRUG FREE-TITLE IV	SPECIAL FEDERAL	TOTAL
\$ 6,243	\$ 2,439	\$ 0	\$ 368,842	\$ 0	\$ 942	\$ 381,974
14,084	4,070	4,269	0	4,082	244,027	843,334
0	0	0	0	0	398	398
0	0	0	16,359	0	0	16,359
<u>\$ 20,327</u>	<u>\$ 6,509</u>	<u>\$ 4,269</u>	<u>\$ 385,201</u>	<u>\$ 4,082</u>	<u>\$ 245,367</u>	<u>\$ 1,242,065</u>
\$ 18,174	\$ 1,257	\$ 2,472	\$ 88,716	\$ 3,717	\$ 87,943	\$ 404,179
0	5,252	1,797	0	365	157,424	539,248
0	0	0	1,814	0	0	1,814
<u>\$ 18,174</u>	<u>\$ 6,509</u>	<u>\$ 4,269</u>	<u>\$ 90,530</u>	<u>\$ 4,082</u>	<u>\$ 245,367</u>	<u>\$ 945,241</u>
\$ 0	\$ 0	\$ 0	\$ 16,359	\$ 0	\$ 0	\$ 16,359
2,153	0	0	278,312	0	0	280,465
<u>\$ 2,153</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 294,671</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,824</u>
<u>\$ 20,327</u>	<u>\$ 6,509</u>	<u>\$ 4,269</u>	<u>\$ 385,201</u>	<u>\$ 4,082</u>	<u>\$ 245,367</u>	<u>\$ 1,242,065</u>

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

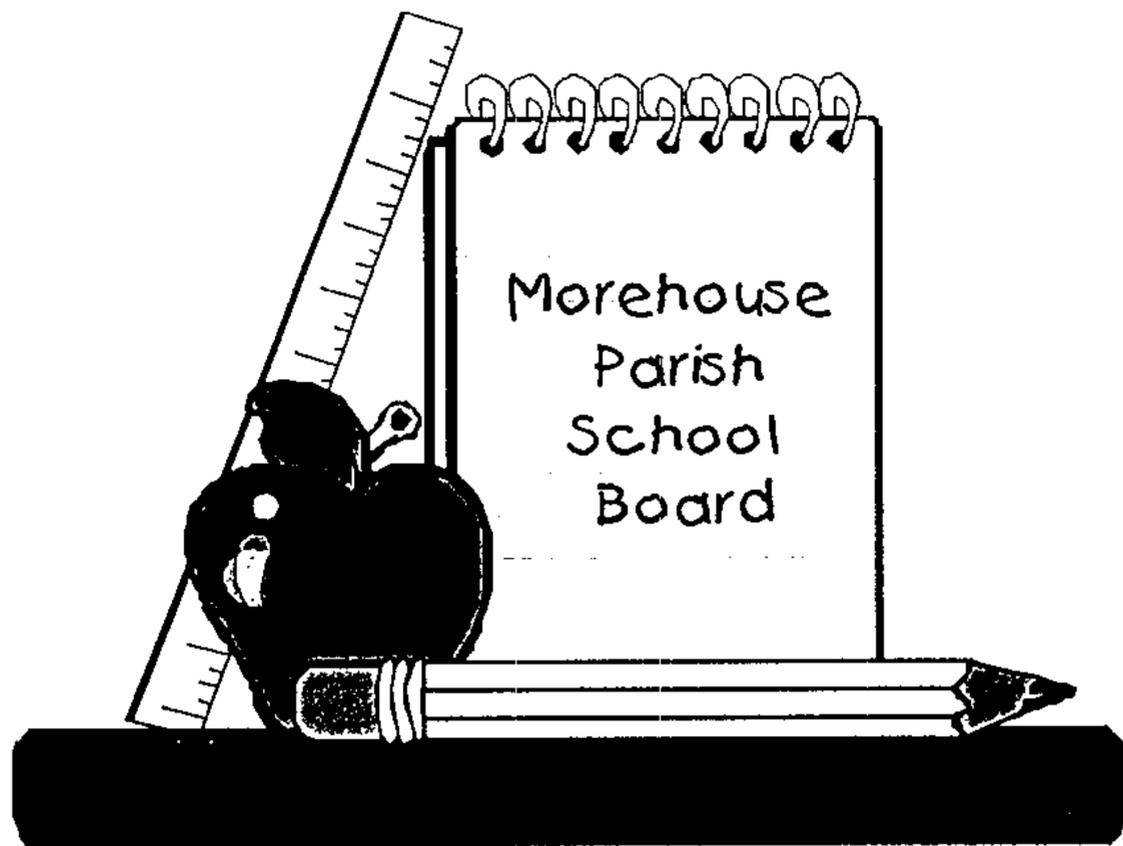
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 1999

	TITLE I	TITLE VI	MATH AND SCIENCE - TITLE II	SPECIAL EDUCATION
REVENUES				
Local sources:				
Food services	\$ 0	\$ 0	\$ 0	\$ 0
Other	0	0	0	0
State sources:				
Equalization	0	0	0	0
Other	0	0	0	0
Federal sources	2,066,763	36,321	48,858	390,662
 Total Revenues	\$ 2,066,763	\$ 36,321	\$ 48,858	\$ 390,662
 EXPENDITURES				
Current:				
Instruction:				
Regular programs	\$ 0	\$ 0	48,833	\$ 0
Special programs	1,275,846	32,914	0	285,405
Other instructional programs	0	0	0	0
Support services:				
Student services	11,632	0	0	9,543
Instructional staff support	418,713	3,382	0	63,013
General administration	61,731	25	25	10,535
Business services	67,760	0	0	10,430
Plant services	85,623	0	0	2,381
Student transportation services	6,531	0	0	9,168
Central services	74,397	0	0	187
Food services	0	0	0	0
Facilities acquisition and construction	0	0	0	0
Debt service:				
Principal retirement	23,094	0	0	0
Interest and bank charges	2,074	0	0	0
 Total Expenditures	\$ 2,027,401	\$ 36,321	\$ 48,858	\$ 390,662
 EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ 39,362	\$ 0	\$ 0	\$ 0
 FUND BALANCES AT BEGINNING OF YEAR	(39,362)	0	0	0
 FUND BALANCES (Deficit) AT END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit 2

SUMMER SCHOOL	PRESCHOOL	MISCELLANEOUS STATE GRANTS	SCHOOL FOOD SERVICE	DRUG FREE-TITLE IV	SPECIAL FEDERAL	TOTAL
\$ 0	\$ 0	\$ 0	\$ 237,042	\$ 0	\$ 0	237,042
0	0	0	0	0	0	0
0	0	0	150,000	0	0	150,000
26,655	0	19,251	0	0	0	45,906
0	43,126	32,308	1,804,902	38,490	532,191	4,993,621
<u>\$ 26,655</u>	<u>\$ 43,126</u>	<u>\$ 51,559</u>	<u>\$ 2,191,944</u>	<u>\$ 38,490</u>	<u>\$ 532,191</u>	<u>\$ 5,426,569</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	48,833
21,456	41,684	19,251	0	0	0	1,676,556
0	0	27,483	0	0	521,306	548,789
0	0	0	0	37,279	0	58,454
0	0	4,825	0	0	10,518	500,451
0	1,249	0	0	1,211	0	74,776
0	0	0	0	0	0	78,190
0	193	0	0	0	0	88,197
5,199	0	0	0	0	367	21,265
0	0	0	0	0	0	74,584
0	0	0	2,258,501	0	0	2,258,501
0	0	0	0	0	0	0
0	0	0	0	0	0	23,094
0	0	0	0	0	0	2,074
<u>\$ 26,655</u>	<u>\$ 43,126</u>	<u>\$ 51,559</u>	<u>\$ 2,258,501</u>	<u>\$ 38,490</u>	<u>\$ 532,191</u>	<u>\$ 5,453,764</u>
\$ 0	\$ 0	\$ 0	\$(66,557)	\$ 0	\$ 0	\$(27,195)
2,153	0	0	361,228	0	0	324,019
<u>\$ 2,153</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 294,671</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,824</u>

Morehouse Parish School Board
Bastrop, Louisiana



**Morehouse Parish School Board
Bastrop, Louisiana**

CAPITAL PROJECTS FUNDS

SCHOOL DISTRICT A PARISH WIDE
SCHOOL DISTRICTS NO. 2 AND NO. 3 MERGED
SCHOOL DISTRICTS NO. 9 AND NO. 10 MERGED
SCHOOL DISTRICT NO. 12
CAPITAL IMPROVEMENTS

The capital projects funds are used to acquire and improve sites for school buildings and playgrounds, to purchase, erect, and/or improve school buildings and other school-related facilities, and to acquire the necessary equipment and furnishings for these facilities.

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

CAPITAL PROJECTS FUNDS
Combining Balance Sheet
June 30, 1999

	SCHOOL DISTRICT A PARISHWIDE	SCHOOL DISTRICTS NO. 2 AND NO. 3 MERGED	SCHOOL DISTRICTS NO. 9 AND NO. 10 MERGED
ASSETS			
Receivables	\$ 0	\$ 0	\$ 0
TOTAL ASSETS	\$ 0	\$ 0	\$ 0
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts, salaries, and other payables	\$ 0	\$ 0	\$ 0
Interfund payable	0	0	0
Total Liabilities	\$ 0	\$ 0	\$ 0
Fund Balances:			
Unreserved	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 0	\$ 0

Exhibit 3

SCHOOL DISTRICT NO. 12	CAPITAL IMPROVEMENTS	TOTAL
\$ 0	\$ 424,530	\$ 424,530
\$ 0	\$ 424,530	\$ 424,530
\$ 0	\$ 192,569	\$ 192,569
\$ 0	\$ 375,120	\$ 375,120
\$ 0	\$ 567,689	\$ 567,689
\$ 0	\$ (143,159)	\$ (143,159)
\$ 0	\$ 424,530	\$ 424,530

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures,
and Changes In Fund Balances
For the Year Ended June 30, 1999

	SCHOOL DISTRICT A PARISHWIDE	SCHOOL DISTRICTS NO. 2 AND NO. 3 MERGED	SCHOOL DISTRICTS NO. 9 AND NO. 10 MERGED
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 0	\$ 0	\$ 0
Sales and use	0	0	0
Investment income	0	0	0
Other	0	0	0
	0	0	0
Total Revenues	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Current:			
Support services:			
General administration	\$ 0	\$ 0	\$ 0
Plant services	0	0	0
Facilities acquisition and construction	0	0	0
	0	0	0
Total Expenditures	\$ 0	\$ 0	\$ 0
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES			
	0	0	0
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 0	\$ 0	\$ 0
Operating transfers out	(4,209)	(15,997)	(3,411)
	(4,209)	(15,997)	(3,411)
Total Other Financing Sources (Uses)	\$ (4,209)	\$ (15,997)	\$ (3,411)
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			
	\$ (4,209)	\$ (15,997)	\$ (3,411)
FUND BALANCES AT BEGINNING OF YEAR			
	4,209	15,997	3,411
FUND BALANCES AT END OF YEAR			
	\$ 0	\$ 0	\$ 0

Exhibit 4

SCHOOL DISTRICT NO. 12	CAPITAL IMPROVEMENTS	TOTAL
\$ 0	\$ 436,661	\$ 436,661
0	374,889	374,889
0	4,923	4,923
0	405,887	405,887
\$ 0	\$ 1,222,360	\$ 1,222,360
\$ 0	\$ 81,303	\$ 81,303
0	661,114	661,114
0	662,052	662,052
\$ 0	\$ 1,404,469	\$ 1,404,469
0	(182,109)	(182,109)
\$ 0	\$ 30,586	\$ 30,586
(6,969)	0	(30,586)
\$ (6,969)	\$ 30,586	\$ 0
(6,969)	(151,523)	(182,109)
6,969	8,364	38,950
\$ 0	\$ (143,159)	\$ (143,159)

**Morehouse Parish School Board
Bastrop, Louisiana**

AGENCY FUNDS

SCHOOL ACTIVITY AGENCY FUND

The activities of the various individual school accounts are accounted for in the school activity agency fund. While the accounts are under the supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

AGENCY FUNDS
Statement of Assets and Liabilities
June 30, 1999

Exhibit 5

SCHOOL
ACTIVITY
FUND

ASSETS

Cash and cash equivalents

\$ 280,143

LIABILITIES

Deposits due others

\$ 280,143

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

**AGENCY FUNDS
Statement of Changes In Assets and Liabilities
For the Year Ended June 30, 1999**

Exhibit 6

	<u>Balance, July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 1999</u>
*****SCHOOL ACTIVITY FUND*****				
ASSETS				
Cash and cash equivalents	\$ 225,286	\$ 1,170,076	\$ 1,115,219	\$ 280,143
	<u>\$ 225,286</u>	<u>\$ 1,170,076</u>	<u>\$ 1,115,219</u>	<u>\$ 280,143</u>
LIABILITIES				
Deposits due others	\$ 225,286	\$ 1,170,076	\$ 1,115,219	\$ 280,143
	<u>\$ 225,286</u>	<u>\$ 1,170,076</u>	<u>\$ 1,115,219</u>	<u>\$ 280,143</u>

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

**SCHOOL ACTIVITY AGENCY FUND
Schedule of Changes in Deposits Due Others
For the Year Ended June 30, 1999**

Exhibit 7

<u>SCHOOL</u>	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, Ending</u>
H. V. ADAMS	\$ 1,178	\$ 33,753	\$ 30,518	\$ 4,413
BASTROP MIDDLE SCHOOL	5,020	90,462	62,026	33,456
BASTROP HIGH SCHOOL	110,585	460,981	458,337	113,229
BASTROP HIGH SCHOOL SAVINGS ACCOUNT	34,433	19,044	0	53,477
BEEKMAN	7,808	36,435	39,110	5,133
BONITA	1,821	19,708	16,674	4,855
CARVER	4,346	31,756	33,533	2,569
CHERRY RIDGE	1,294	71,250	64,105	8,439
COLLINGSTON	588	20,900	20,063	1,425
DELTA HIGH	12,421	137,636	141,229	8,828
EAST SIDE	4,548	39,490	39,563	4,475
MER ROUGE	2,377	0	2,377	0
MOREHOUSE MAGNET SCHOOL	13,162	78,887	74,781	17,268
OAK HILL	1,755	27,915	29,248	422
PINE GROVE	11,171	62,012	64,824	8,359
SOUTH SIDE	12,779	33,423	35,415	10,787
UNION MAGNET	<u>0</u>	<u>6,424</u>	<u>3,416</u>	<u>3,008</u>
TOTAL	<u>\$ 225,286</u>	<u>\$ 1,170,076</u>	<u>\$ 1,115,219</u>	<u>\$ 280,143</u>

**Morehouse Parish School Board
Bastrop, Louisiana**

GENERAL

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 1999**

The schedule of compensation paid to the School Board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the 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 payment method of compensation. Under this method, each member of the School Board receives \$200 per month, and the president receives an additional \$50 per month for performing the duties of his office.

<u>Board Member</u>	<u>Amount</u>
Ms. Loe Dunn, President	\$ 2,700
Ms. Sherry Barmore	1,200
Mr. James Bonsall	1,200
Ms. Frankie Conway	1,200
Ms. Susie Cox	1,200
Mr. George Estep	2,700
Ms. Doris Jackson	2,400
Mr. Hamp Lenoir	1,200
Mr. Thomas A. Rogers	1,200
Mr. Charles Sims	1,200
Ms. Patricia Sims	<u>1,200</u>
Total	<u>\$17,400</u>

**Morehouse Parish School Board
Bastrop, Louisiana**

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The first report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The section of the report on compliance is based solely on the audit of the general-purpose financial statements and presents, where applicable, compliance matters that would be material to the general-purpose financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the general-purpose financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

**OTHER REPORT REQUIRED BY
OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR NO. A-133**

The second report following this page contains information on the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular No. A-133. The section of the report on compliance is related to tests of compliance with laws, regulations, contracts and grants relating to federal awards programs. The section of the report on internal control over compliance is, likewise, related to matters that would be significant and/or material to federal awards programs.

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Ernest L. Allen, CPA
(A Professional
Accounting Corp.)

Tim Green, CPA

Margie Williamson, CPA



Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

We have audited the financial statements of Morehouse Parish School Board, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Morehouse Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 99-F1, and 99-F2.

Management Letter Items

We also noted an immaterial instance of noncompliance which we have reported to management of the School Board in a separate letter dated September 17, 1999 included later in this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morehouse Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-F3, 99-F4, and 99-F5.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

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. Our 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, we believe the reportable conditions referred above are not material weaknesses.

Management Letter Items

We noted other matters involving the internal control over financial reporting which we have reported to management of the School Board in a separate letter dated September 17, 1999, included later in this report.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
September 17, 1999

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Ernest L. Allen, CPA
(A Professional
Accounting Corp.)

Tim Green, CPA

Margie Williamson, CPA



Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular No. A-133

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Compliance

We have audited the compliance of Morehouse Parish School Board with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. Morehouse Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Board's management. Our responsibility is to express an opinion on the School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School Board's compliance with those requirements.

In our opinion, the School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the School Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular No. A-133.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Board's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items 99-F6.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all 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, we believe the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of Morehouse Parish School Board, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular No. A-133 and is not a required part of the general-purpose financial statements. 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 stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
September 17, 1999

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999**

Exhibit 8

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed Through Louisiana Department of Education:			
School Breakfast Program	10.553	N/A	\$ 463,913
National School Lunch Program	10.555	N/A	<u>1,207,131</u>
Total United States Department of Agriculture			<u>1,671,044</u>
United States Department of Education			
Passed Through Louisiana Department of Education:			
Adult Education - State Grant Program	84.002	99-AETT-34F 99-AE-34-F	57,458
Title I Grants to Local Educational Agencies	84.010	99-IASA-34-I	2,066,763
Special Education:			
Grants to States (Part B)	84.027	99-1B-34-S	375,444
Preschool Grants	84.173	99-IP-34-S	43,126
Part H - Infant/Toddler	84.181	98-IH-34-S C/O	15,218
Vocational Education:			
Basic Grants to States	84.048	99-VE-34-2B/BG	127,991
Tech-Prep Education	84.243	99-VE-34-3-FE	193,546
School to Work	84.UKN	N/A	5,400
Innovative Education Program Strategies - Title VI	84.298	99-IASA-34-6	36,321
Title II (Eisenhower Professional Development - State Grants)	84.281	99-IASA-34-2	48,858
Title IV (Safe and Drug-Free Schools - State Grant)	84.186	99-IASA-34-4	38,490
Goals 2000			
State and Local Education Systematic Improvement Grants (Goals 2000 State Grants)	84.276	N/A	91,731
Technology Literacy Challenge	84.318X	99-L1-34	49,995
Passed Through the Office of Education Research and Improvement:			
Technology Innovation Challenge Grants	84.303	R303A980332	<u>26,908</u>
Total United States Department of Education			<u>3,177,249</u>
United States Department of Health and Human Services			
Passed Through the Louisiana Department of Education:			
Child Care and Development Block Grant (Starting Points Preschool)	93.575	CFMS533847	<u>59,265</u>
Total United States Department of Health and Human Services			<u>59,265</u>

(Continued)

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999**

Exhibit 8

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS (Continued)			
United States Department of Labor			
Passed Through the Union Community Action, Farmerville, LA:			
Job Training Partnership Act (JTPA)	17.250	N/A	<u>27,762</u>
Total United States Department of Labor			<u>27,762</u>
United States Department of Defense			
Direct Programs:			
Department of The Army			
ROTC	NONE	N/A	<u>\$ 66,169</u>
Total United States Department of Defense			<u>66,169</u>
Total Cash Awards			<u>5,001,489</u>
NONCASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed Through Louisiana Department of Agriculture and Forestry:			
Food Distribution (Commodities)	10.550	N/A	<u>133,858</u>
Total United States Department of Agriculture			<u>133,858</u>
TOTAL FEDERAL AWARDS			<u>\$5,135,347</u>

(Concluded)

**Morehouse Parish School Board
Bastrop, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Morehouse Parish School Board. The School Board reporting entity is defined in note 1 to the School Board's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the School Board's general-purpose financial statements.

NOTE 3 - RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

Federal awards revenues are reported in the School Board's general-purpose financial statements as follows:

	<u>Federal Sources</u>
General Fund	\$ 141,726
Special Revenue Funds:	
Title I	2,066,763
Title VI	36,321
Math and Science - Title II	48,858
Special Education	390,662
Preschool	43,126
Miscellaneous State Grants	32,308
School Food Service	1,804,902
Drug Free - Title IV	38,490
Special Federal	<u>532,191</u>
Total	<u>\$5,135,347</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 - MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 6 - NONCASH PROGRAMS AND LOANS OUTSTANDING

The commodities received, which are noncash revenues, are valued using prices provided by the United States Department of Agriculture. The School Board has an outstanding loan with the United States Environmental Protection Agency. The loan was for asbestos abatement and the amount outstanding at June 30, 1999, is \$50,297.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1999**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

The reportable conditions disclosed were not considered material weaknesses as defined by the Government Auditing Standards.

- iii. *There were instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.*

Audit of Federal Awards

- iv. There was a reportable condition required to be disclosed by OMB Circular No. A-133.
The reportable condition disclosed was not considered a material weakness as defined by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).

- vii. The major federal programs are:

CFDA #84.010 Title I Grants to Local Educational Agencies

Nutrition Cluster

CFDA #10.553 School Breakfast Program
CFDA #10.555 National School Lunch

Special Education Cluster

CFDA #84.027 Grants to States (Part B)
CFDA #84.173 Preschool Grants

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and title: 99-F1 Budgeting a Deficit Fund Balance

Entity-wide or program/department specific: This finding is specific to the general fund.

Criteria or specific requirement: LSA-R.S. 17:88 requires the budget to detail revenue and expenditures, the total of which shall not exceed the expected means of financing composed of the beginning fund balance and revenues.

Condition found: The School Board adopted an original budget for the general fund which had a deficit fund balance.

Possible asserted effect (cause and effect):

Cause: The cause is unknown.

Effect: The School Board adopted a budget for the general fund that was not in compliance with LSA-R.S. 17:88.

Recommendations to prevent future occurrences: Budgets with deficit fund balances should not be adopted by the School Board.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and title: 99-F2 5% Budget Variances

Entity-wide or program/department specific: This finding is specific to the special revenue fund - school food service.

Criteria or specific requirement: LSA-R.S. 39:1310 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

Condition found: The School Board had the following unfavorable budget variances for expenditures which exceeded 5%:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Budget</u>
School food service	\$2,147,331	\$2,258,501	\$111,170

Proper perspective for judging the prevalence and consequences: The School Board is required by state statute to adopt budgets for the general fund and all special revenue funds. In total, the School Board adopted budgets for 23 different funds.

Possible asserted effect (cause and effect):

Cause: Some unexpected expenditures occurred after the last budget revision was adopted.

Effect: The School Board is in violation of LSA-R.S. 39:1310.

Recommendations to prevent future occurrences: The School Board should monitor expenditures and amend budgets as needed.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and title: **99-F3** **Federal Request Not Reconciled to General Ledger**

Entity-wide or program/department specific: This finding is specific to cost reimbursement programs.

Criteria or specific requirement: To comply with grant requirements and to track reimbursable expenditures, requests should be reconciled with the general ledger.

Condition found: Federal requests were not reconciled to the general ledger resulting in several of the programs having an excess or a deficiency for the year ended June 30, 1999. Presently, requests are compiled from actual invoices by personnel in each federal department. The invoices are paid by the accounts payable department personnel. An invoice could be paid by the accounts payable department without flowing through a federal department.

Possible asserted effect (cause and effect):

Cause: The cause is unknown.

Effect: This could result in loss of revenues because some of the expenditures may not be reimbursed.

Recommendations to prevent future occurrences: All federal requests should be reconciled to the general ledger to ensure that all reimbursable expenditures are requested.

Reference # and title: **99-F4** **Bank Reconciliations**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Monthly bank reconciliations should be performed as an internal control over cash.

Condition found: The bank accounts for the payroll fund and the master fund remained unreconciled for several months of the audit period. The master fund includes the general fund and all special revenue funds.

Possible asserted effect (cause and effect):

Cause: The cause is unknown.

Effect: The School Board has a weak control over cash balances.

Recommendations to prevent future occurrences: These bank accounts should be reconciled within a few days of receipt of the bank statement.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

PART II - Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

Reference # and title: 99-F5 Fixed Assets

Entity-wide or program/department specific: This finding is specific to general fixed assets account group.

Criteria or specific requirement: Good internal control requires the School Board to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.

Condition found: Alterations and additions of \$1,049,151 to several schools were not added to fixed asset listing. Of the total, \$865,561 was from prior periods.

Possible asserted effect (cause and effect):

Cause: These contracts were not handled by the purchasing department, therefore, they had no knowledge of the contracts and could not add them to the fixed asset listing.

Effect: The School Board had understated the value of the buildings in its fixed asset listing prior to the discovery of this error.

Recommendations to prevent future occurrences: All major construction should be identified and added to the fixed asset listing. This is more readily accomplished when contracts are handled by the purchasing department.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1999**

**PART III - Findings and questioned costs for federal awards which are required to be reported under
OMB Circular No. A-133 Section .510(a):**

Reference # and title: 99-F6 Federal Request Not Reconciled to General Ledger

Federal program and specific federal award identification:

<u>PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Federal Award Year</u>
Title I Grants to Local Educational Agencies	84.010	99-IASA-34-TI	1999
Special Education:			
Grants to States (Part B)	84.027	99-IB 34-S	1999
Preschool Grants	84.173	99-IP 34-S	1999

Condition found: See Finding 99-F3 in Part II of this Schedule of Findings and Questioned Costs.

**Morehouse Parish School Board
Bastrop, Louisiana**

Other Information

The information in the following section concerns management's actions or intentions concerning prior- and current-year audit findings and is required by U. S. Office of Management and Budget (OMB) Circular No. A-133. This information has been prepared by the management of the Morehouse Parish School Board. Management accepts full responsibility, as required by OMB Circular No. A-133, for the accuracy of the information. This information has not been audited by the auditors except as required by OMB Circular No. A-133 Section 500(e), and accordingly, no opinion is expressed. Section 500(e) requires the auditor to follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report, as a current-year audit finding when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F1** **Budgeting a Deficit Fund Balance**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: The School Board adopted a budget for the general fund which had a deficit fund balance of \$6,577.

Corrective action planned: See Finding 99-F1 in Corrective Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: September 1999.

Reference # and title: **98-F2** **Budget Controls**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: In the general fund, total actual expenditures exceeded total budgeted expenditures by \$970,750 for the year ended June 30, 1998.

Corrective action taken: For the fiscal year ended June 30, 1999, actual expenditures exceeded budgeted expenditures by only 3.7%. LSA-R.S. 39:1310 requires the chief executive or administrative officer to advise the governing board in writing when total expenditures and other uses exceed the total budgeted expenditures and other uses by 5% or more. For fiscal year 1999, the budget variance did not exceed the 5% limitations set by the statute.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: September 1999.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F3** **Debt Service Violation**

Finding initially reported: Finding initially reported June 30, 1998.

Condition: During the fiscal year monies from the debt service fund were transferred to the general fund. At June 30, 1998, the debt service fund had loaned the general fund \$208,938.

Corrective action taken: All loans from the debt service fund were repaid and no new loans were made.

Reference # and title: **98-F4** **Federal Request Not Reconciled to General Ledger**

Finding initially reported: Fiscal year ended June 30, 1996.

Condition: Federal requests were not reconciled to the general ledger resulting in several of the programs having an excess or a deficiency for the year ended June 30, 1998. Presently, requests are compiled from actual invoices by personnel in each federal department. The invoices are paid by the accounts payable department personnel. An invoice could be paid by the accounts payable department without flowing through a federal department.

Corrective action planned: See finding 99-F3 in Corrective Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F5** **Bank Reconciliations**

Finding initially reported: Fiscal year ended June 30, 1996.

Condition: The bank accounts for the payroll fund and the master fund remained unreconciled for several months of the audit period. The master fund includes the general fund and all special revenue funds.

Corrective action planned: See finding 99-F4 in Corrective Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: June 30, 2000.

Reference # and title: **98-F6** **Debt Service Duplicate Payments**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: A debt service payment of \$384,047 was made twice, once to the paying agent and once to the holders of the debt.

Corrective action planned: This finding is considered resolved.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F7** **Fixed Assets**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: Alterations and additions of \$865,561 to Bastrop High and Bastrop Middle Schools were not added to fixed asset listing.

Corrective action planned: See finding 99-F5 in Correction Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: June 30, 2000.

Reference # and title: **98-F8** **Federal Request Monitoring**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: There was \$1,313,287 of federal request outstanding at June 30, 1998. This was 25% of the total federal expenditures for the year.

Corrective action taken: Superintendent and Business Manager have made numerous contacts with the State Department of Education to voice concerns with timely reimbursements for our requested monies. Receivables were significantly reduced in fiscal 1999.

Reference # and title: **98-F9** **Expenditures Not Reported Net of Credit**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: All insurance proceeds from the employee theft were recorded in the general fund although some of the fraudulent expenditures were recorded in the lunch fund.

Corrective action taken: The insurance proceeds were subsequently disbursed correctly.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F10** **Federal Request Not Reconciled to General Ledger**

Finding initially reported: Fiscal year ended June 30, 1996.

Condition: Federal requests were not reconciled to the general ledger resulting in several of the programs having an excess or a deficiency for the year ended June 30, 1998. Presently, requests are compiled from actual invoices by personnel in each federal department. The invoices are paid by the accounts payable department personnel. An invoice could be paid by the accounts payable department without flowing through a federal department.

Corrective action planned: See finding 99-F6 in Corrective Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

Reference # and title: **98-F11** **Bank Reconciliations**

Finding initially reported: Fiscal year ended June 30, 1996.

Condition: The bank accounts for the payroll fund and the master fund remained unreconciled for several months of the audit period. The master fund includes the general fund and all special revenue funds.

Corrective action planned: See finding 99-F4 in Corrective Action Plan for Current-Year Audit.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Summary Status of Prior Audit Findings
June 30, 1999**

Reference # and title: **98-F12** **Federal Request Monitoring**

Finding initially reported: Fiscal year ended June 30, 1998.

Condition: There was \$1,313,287 of federal request outstanding at June 30, 1998. This was 25% of the total federal expenditures for the year.

Corrective action taken: Superintendent and Business Manager have made numerous contacts with the State Department of Education to voice concerns with timely reimbursements for our requested monies. Receivables were significantly reduced in fiscal 1999.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Corrective Action Plan for Current-Year Audit
As of and for the Year Ended June 30, 1999**

Finding reference # and title: **99-F1**

Budgeting a Deficit Fund Balance

Condition: The School Board adopted an original budget for the general fund which had a deficit fund balance.

Corrective action planned: The School Board did not adopt a deficit fund balance for the General Fund for fiscal year 2000.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

Finding reference # and title: **99-F2**

5% Budget Variances

Condition: The School Board had the following unfavorable budget variances for expenditures which exceeded 5%:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Budget</u>
School food service	\$2,147,331	\$2,258,501	\$111,170

Corrective action planned: The School Board currently reviews expenditures vs. budget monthly and will review these items prior to closing the fiscal year to ensure that actual expenditures and revenues do not exceed the budget by more than 5%.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Corrective Action Plan for Current-Year Audit
As of and for the Year Ended June 30, 1999**

Finding reference # and title: **99-F3**

Federal Request Not Reconciled to General Ledger

Condition: Federal requests were not reconciled to the general ledger resulting in several of the programs having an excess or a deficiency for the year ended June 30, 1999. Presently, requests are compiled from actual invoices by personnel in each federal department. The invoices are paid by the accounts payable department personnel. An invoice could be paid by the accounts payable department without flowing through a federal department.

Corrective action planned: During both fiscal years 1999 and 2000 the Business Manager took measures to ensure that reimbursements requested from fiscal agents in the Louisiana Department of Education and elsewhere accurately reflected actual expenditures incurred by the school system. The Business Manager will pursue accountability measures from both Management and the elected oversight officials.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

Finding reference # and title: **99-F4**

Bank Reconciliations

Condition: The bank accounts for the payroll fund and the master fund remained unreconciled for several months of the audit period. The master fund includes the general fund and all special revenue funds.

Corrective action planned: Beginning immediately, all bank accounts will be reconciled in a timely manner.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

**Corrective Action Plan for Current-Year Audit
As of and for the Year Ended June 30, 1999**

Finding reference # and title: **99-F5**

Fixed Assets

Condition: Alterations and additions of \$1,049,151 to several schools were not added to fixed asset listing. Of the total, \$865,561 was from prior periods.

Corrective action planned: Management is currently working with the independent auditors to properly record the outstanding additions and alterations concerning construction at several schools.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

Finding reference # and title: **99-F6**

Federal Request Not Reconciled to General Ledger

Condition: Federal requests were not reconciled to the general ledger resulting in several of the programs having an excess or a deficiency for the year ended June 30, 1998. Presently, requests are compiled from actual invoices by personnel in each federal department. The invoices are paid by the accounts payable department personnel. An invoice could be paid by the accounts payable department without flowing through a federal department.

Corrective action planned: During both fiscal years 1999 and 2000 the Business Manager took measures to ensure that reimbursements requested from fiscal agents in the Louisiana Department of Education and elsewhere accurately reflected actual expenditures incurred by the school system. The Business Manager will pursue accountability measures from both Management and the elected oversight officials.

Person responsible for corrective action:

Michael W. Faulk, Superintendent
Morehouse Parish School Board
P. O. Box 872
Bastrop, LA 71221-0872

Telephone: (318) 281-5784
Fax: (318) 283-3456

Anticipated completion date: By June 30, 2000.

**Morehouse Parish School Board
Bastrop, Louisiana**

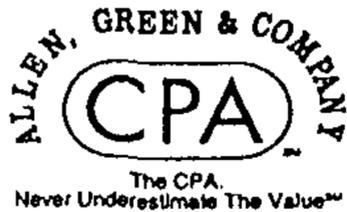
Management Letter Items

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Monroe, LA 71211-6075



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Ernest L. Allen, CPA
(A Professional
Accounting Corp.)
Tim Green, CPA
Margie Williamson, CPA

Management Letter

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

In planning and performing our audit of the general-purpose financial statements of the Morehouse Parish School Board, Bastrop, Louisiana, for the year ended June 30, 1999, we considered the School Board's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 17, 1999, on the financial statements of the School Board. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

99-M1 Verification of Free and Reduced Applications

Comment: As part of the federal compliance for the Child Nutrition program, the school must verify a sample of the current free and reduced applications. The verification sample is based on the total number of approved applications on file on October 31. The sample can either be a random sample or focused sample. The School Board chose to do a random sample. The random sample should be the lesser of 3% or 3,000 applications. There were 3,629 approved applications on file. The required number to verify is 108. The School Board only tested 101 applications.

Recommendation: The School Board should make sure that they are verifying enough applications to be in compliance.

Management's response: The School Board will ensure that the verification calculations are accurate and represent a minimum required sample.

99-M2 Student Activity Funds

Comment: As part of our audit, one school was haphazardly selected to review the accounting records and internal control structure. The following was noted:

1. The school was not following School Board policy which requires certain information to be filed with the central office monthly.
2. The financial records were not at the school site when the auditors went to review the records.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

3. The financial reports are not being completed in a timely manner. For example, the June 1999 bank reconciliation was not completed until September 1999.
4. The school provided no teacher logs or concessions inventory to trace receipts.
5. Based on responses from the principal, there is a lack of separation of duties. The principal issues receipts, makes deposits, approves invoices, and issues checks.
6. Ten instances where disbursements did not have adequate documentation.

Also during the year under audit, agreed-upon procedures were performed at another school. The following were noted:

1. Four instances where disbursements did not have adequate documentation.
2. Three instances where receipts could not be traced back to teachers' logs.

Recommendations: Employees responsible for School Activity Funds should be familiar with the policies, procedures, and requirements of the School Board. These policies and procedures should be followed at all times.

Management's response: The Business Manager will pursue accountability measures from both Management and the elected oversight officials.

99-M3 Declaration of Emergency

Comment: On September 1, 1998, the School Board declared an emergency to repair the gym floor at Bastrop High School. LSA-R.S. 38:2212(D) states that notice of such public emergency shall, within ten days thereof, be published in the official journal. The School Board did not publish the notice within the required number of days.

Recommendation: For future compliance with LSA-R.S. 38:2212 (D), the School Board should publish the required notice of public emergency within ten days of declaring the emergency.

Management's response: The School Board will follow LSA-R.S. 38:2212(D) regarding any future emergencies that may occur.

99-M4 Request for Reimbursement

Comment: Beginning July 1, 1999, the Louisiana State Department of Education (LDOE) began implementation of "Guidelines for State and Local Federal Flow-Through Funds." The LDOE has established guidelines for the reporting of budgets, request for reimbursements, and the project completion reports.

These guidelines establish a deadline for final budget revisions, procedures for carryover budgets, details of when funds can be requested and procedures for completing the project completion report.

A copy of this publication can be obtained from the LDOE.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Recommendation: The School Board should obtain a copy of this publication. They should also adopt and implement policies and procedures consistent with the guidelines established in this publication.

Management's response: The School Board has a copy of this publication and will comply with the requirements.

99-M5 **Uniform Unclaimed Property Act of 1997**

Comment: The Uniform Unclaimed Property Act of 1997 (LSA-R.S. 9:151 - 181) requires governments and governmental subdivisions or agencies, such as the School Board, to follow certain procedures regarding property that is presumed to be abandoned as defined in the Act.

LSA-R.S. 9:154(A) states that:

"Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property for the following:"

LSA-R.S. 9:154(A)(10) states:

"Property held by a court, state or other government, governmental subdivision or agency, public corporation, or other public authority, one year after the property becomes distributable, except as provided in R.S. 15:86.1..."

LSA-R.S. 9:154(A)(11) states:

"Wages or other compensation for personal services, one year after the compensation becomes payable."

Therefore, the Act appears to apply to both property and for wages or other compensation for personal services which is deemed abandoned one year after the property becomes distributable or the compensation becomes payable. Assuming that the Act applies to these items, the School Board is required to report the property and pay funds equal to the value of the property to the Secretary of the Louisiana Department of Revenue on an annual basis.

One situation which School Boards encounter fairly frequently and which may fall under the provisions of the Act involves old outstanding checks. Both vendor and payroll checks which have been outstanding for more than one year from the date of issuance appear to meet the definition of abandoned property under the Act. Annually, these checks would be reported and the funds remitted to the Secretary of the Louisiana Department of Revenue in accordance with the Act. They could not be voided and the cash returned to the book balance.

There may be situations other than old outstanding checks to which the School Board should consider whether or not the Act would apply.

Recommendation: The School Board should consult with legal counsel to determine the applicability of the Act to the School Board's operations.

Annually, the School Board should report any abandoned property and remit funds to the Secretary of the Louisiana Department of Revenue in accordance with the Act.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Management's response: The School Board will consult with legal counsel regarding this Act.

99-M6 Impact of GASB Statement No. 34

Comment: The Governmental Accounting Standards Board (GASB), which determines the standards of financial reporting for governmental entities, recently released Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB's new reporting model will be mandatory for Louisiana School Boards for either the fiscal years ending June 30, 2002 or 2003. The amount of the School Board's revenues and other financing sources for the year ended June 30, 1999 will be the criteria for determining the year of required implementation. School Boards with annual revenues and other financing sources exceeding \$100,000,000 will be required to implement for the year ending June 30, 2002. They will allow smaller school districts an additional year. They allow earlier implementation.

This new reporting model will dramatically change several aspects of the financial reporting for the School Board. Three major changes are a part of this new model. First, the new reporting model will include the current set of financial statements with modifications and will add a new set of financial statements. The new set will be on the economic resources measurement focus and the full accrual basis of accounting, the same as exist today in the commercial environment. Allen, Green & Company believes, at this early stage, that the prudent approach is for the School Board to continue its current budget or modified accrual methodology for its books. Side adjustments will be made at year-end to convert the financial statements to the full accrual accounting method.

The single change that will probably pose the most challenge to the School Board may be accounting for general capital assets. Under the new reporting model, general capital assets will be accounted for in virtually the same manner as commercial entities. Assets will be capitalized, depreciated, and shown consolidated on the new Statement of Net Assets with the funds, rather than displayed separately in the fixed assets account group. The changes required by GASB Statement No. 34 will obviously require the School Board to place a greater emphasis on accounting for fixed assets than is required by the current model.

Another addition to the annual financial report will be the Management's Discussion and Analysis (MD&A). This document, which will be several pages in length, will be a narrative explanation of the major financial events/changes during the fiscal year, what caused the events/changes, and project what the events/changes' effects will be on future years. It will also give the reader insight on management's decisions underlining the budget.

Recommendation: Several important issues need to be addressed before setting up the new reporting model.

The listing will need to be current and comprehensive. We encourage the current listing be evaluated to decide if efforts are necessary to bring it up to date, both in content and accuracy. An evaluation of the fixed asset software will be necessary to decide if the system can provide a comprehensive listing in a usable format for depreciating assets. The software system should have fields for useful lives, salvage value, depreciation methods and fund assignments. The system should be capable of calculating depreciation and printing reports for assets' depreciation and accumulated depreciation by asset, by fund for each year. The system must also be able to roll-forward information each year.

The School Board should start now to implement the changes. A longer implementation period will allow more time for testing and remediation of the new depreciation system and the other elements of the new model. An early start will spread the cost over a longer period, thereby smoothing the impact to cash flow. Hopefully, the longer implementation period will partially reduce the anxiety.

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

The School Board should evaluate the need for possible changes to the current basis of accounting and should be cognizant that the new reporting model will provide the reader with more information than is currently being provided.

Management's response: The School Board will begin reviewing the new reporting model and working with the independent auditors to determine any necessary changes which will bring the School Board into compliance prior to the deadline.

* * * * *

Also included immediately following this letter is a Status of Prior Management Letter Items. This information has not been audited by Allen, Green & Company, LLP, and no opinion is expressed. However, we did follow up on prior management letter items and performed procedures to assess the reasonableness of the Status of Prior Management Letter Items prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Company, LLP, concludes that the Status of Prior Management Letter Items materially misrepresents the status of any prior management letter item.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist. This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
September 17, 1999

**Morehouse Parish School Board
Bastrop, Louisiana**

**Status of Prior Management Letter Items
June 30, 1999**

Management item #: **98-M1** **Notice of Public Hearing on Budget**

Initially occurred: Fiscal year ended June 30, 1998.

Finding: To comply with Local Government Budget Act LSA-R.S. 1301-1314, the School Board should publish notices at least ten days prior to budget adoption. Public notice was published only seven days prior to adoption, this is in violation of this state statute.

Corrective action taken: Public notice for the 1999 budget was published in compliance with LSA-R.S. 1301-1314.

Management item #: **98-M2** **New Year 2000 Compliance Disclosures Required**

Initially occurred: Fiscal year ended June 30, 1998.

Finding: The Governmental Accounting Standards Board (GASB) recently issued Technical Bulletin No. 98-1 (TB No. 98-1). TB No. 98-1 will be effective for Morehouse Parish School Board for next year, the fiscal year ending June 30, 1999.

The School Board will be required to make disclosures about several aspects of the Year 2000 compliance issue. These disclosures will include:

- a. Any significant amount of resources committed (contracts outstanding) for purposes of making the School Board's computer systems Year 2000 compliant.
- b. A general description of the Year 2000 issue as related to the School Board including a description of the stages of work in progress or completed in regards to making the School Board's computer systems Year 2000 compliant and any additional stages of work that will be necessary to make the computer system Year 2000 compliant. GASB has defined several stages which will need to be examined including:
 - awareness stage
 - assessment stage
 - remediation stage
 - validation/testing stage

The School Board may need to dedicate a significant amount of resources to this issue in order to comply with the new disclosure requirements.

Corrective action taken: The School Board has taken steps to ensure Year 2000 compliance. See Year 2000 Required Supplemental Information on page 33 for a detailed outline of steps the School Board has taken.