COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 1998

99201537
2649

Orleans Parish School Board
New Orleans, Louisiana

COORDINATED BY THE
DIVISION OF FINANCIAL SERVICES

REGINALD ZENO, MBA, INTERIM CHIEF FINANCIAL OFFICER

ANTHONY J. STOLTZ, CPA, COMPTROLLER

ORLEANS PARISH SCHOOL BOARD

Comprehensive Annual Financial Report

Year ended June 30, 1998

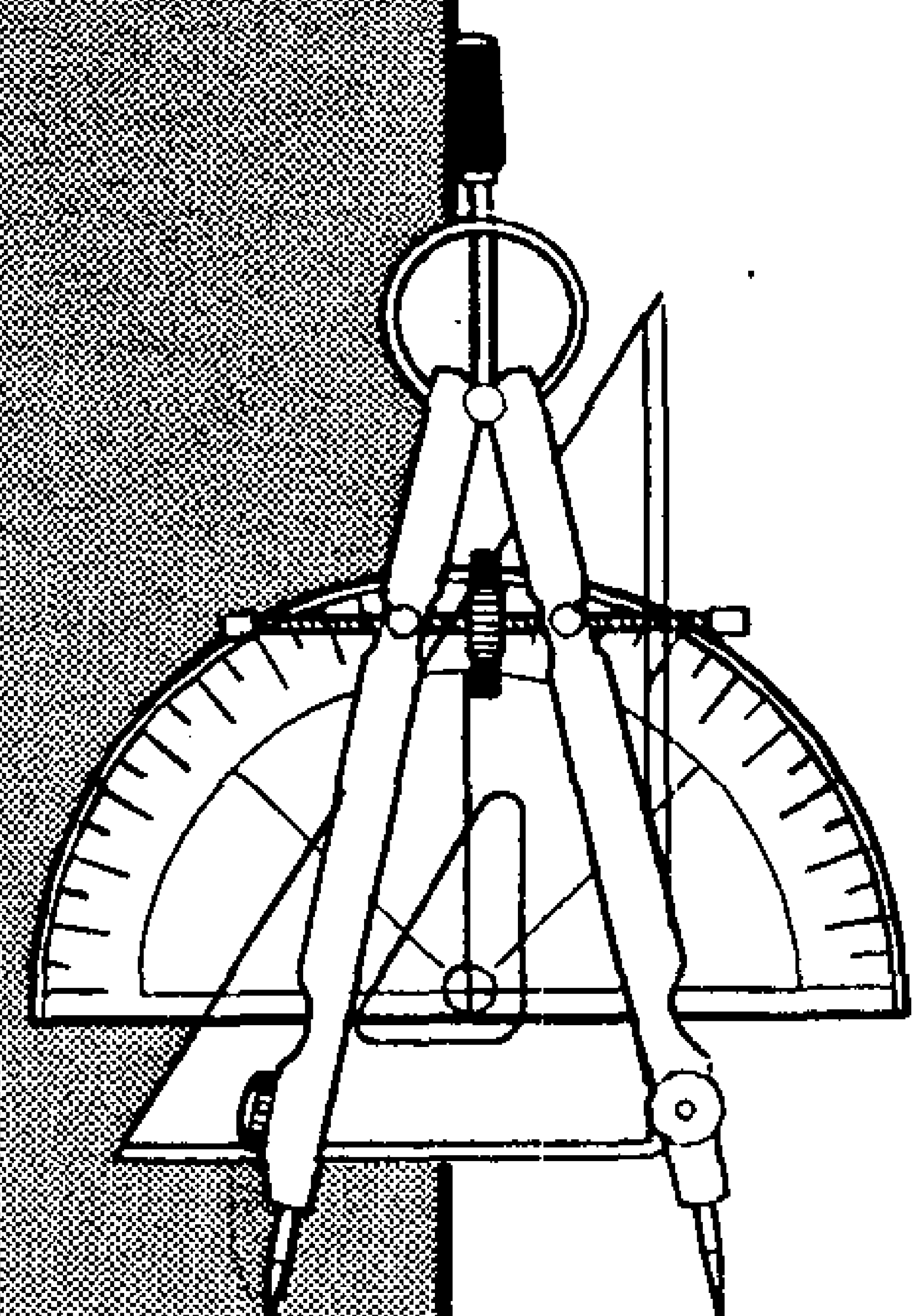
TABLE OF CONTENTS

II. FINANCIAL SECTION (Continued)

II. FINANCIAL SECTION (Continued)

III. STATISTICAL SECTION

INTRODUCTORY SECTION



ORLEANS PARISH SCHOOL BOARD
PRINCIPAL OFFICIALS

SCHOOL BOARD MEMBERS

Four-Year Terms Effective January 1, 1998

President	Gail Moore Glapion, M.Ed.	District 2
Vice President	Scott P. Shea, J.D.	District 3
	Maudelle Davis Cade, M.S.W.	District 1 (through December 5, 1997)
	Cheryl E. Mills, Ph.D.	District 1 (effective December 19, 1997)
	J. Berengher Brechtel, Ed.D.	District 4
	Bill Bowers	District 6
	Carolyn Green Ford	District 5
	Cheryl Q. W. Cramer	District 7 (through November 19, 1997)
	Tommie Vassel, C.P.A.	District 7 (through October 5, 1998)
	Elliot C. Willard, M.Ed.	District 7 (effective October 12, 1998)

Officers are elected for a term of one calendar year by Board Members. 1998 officers are shown above.

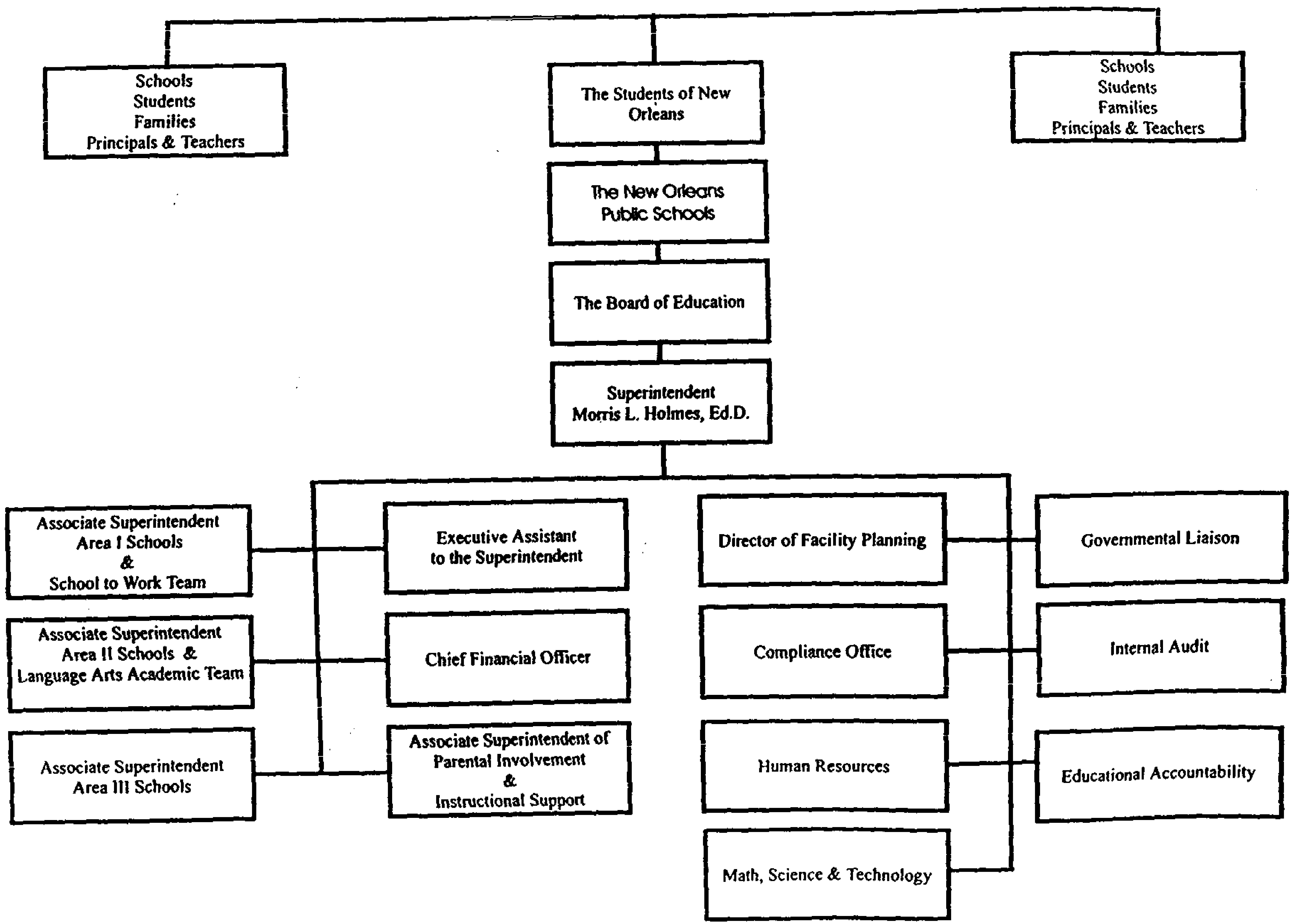
SECRETARY OF THE BOARD

Wyatt V. Dejoie

ADMINISTRATIVE OFFICIALS

Interim Superintendent (effective March 18, 1999)	Calvin P. Casmier, M.A.. +30
Interim Superintendent (through March 17, 1999)	Gregory M. St. L. O'Brien, Ph.D.
Interim Superintendent (through January 31, 1999)	Matthew Proctor, Jr., Ed.D.
Superintendent (through June 30, 1998)	Morris L. Holmes, Ed.D.
Interim Deputy Superintendent (through March 17, 1999)	Calvin P. Casmier, M.A. +30
Executive Assistant to the Superintendent (through February 7, 1999)	Calvin P. Casmier, M.A. +30
Executive Assistant to the Superintendent (through June 30, 1998)	Cynthia R. Williams, M.Ed.
Interim Chief Financial Officer (effective February 8, 1999)	Reginald E. Zeno, M.B.A.
Budget Director (through February 7, 1999)	Reginald E. Zeno, M.B.A.
Associate Superintendent, Area I Schools (through June 30, 1998)	J. Rene' Coman, Ed.D.
Acting Associate Superintendent Area I Schools (effective July 1, 1998)	Judy Mulla, Ed.D.
Associate Superintendent, Area II Schools	Linda Fortenberry, Ph.D.
Associate Superintendent, Area III Schools (effective July 1, 1998)	Cynthia R. Williams, M.Ed.
Associate Superintendent, Parent/Community Participation, Instructional Support & Communications	Linda J. Stelly, Ph.D.
Director of Facility Planning	Kenneth Ducote, Ph.D.
Director of Human Resources (effective August 19, 1998)	Judith A. Gahr, M.A.+30

New Orleans Public Schools
Organizational Structure



NEW ORLEANS PUBLIC SCHOOLS

3510 GENERAL DEGAULLE DRIVE • NEW ORLEANS, LOUISIANA 70114

March 18, 1999

President and Members
Orleans Parish School Board
4100 Touro Street
New Orleans, Louisiana 70122

Dear Board Members:

Attached herewith is the Comprehensive Annual Financial Report (CAFR) of the Orleans Parish School Board for the fiscal year ended June 30, 1998. A summary of the financial results and educational initiatives are presented in the Letter of Transmittal immediately following this message.

The main highlight for fiscal year 1998 includes a General Fund Undesignated Fund Balance of $17.5 million. Importantly, this balance provides increased working capital for daily operation since many expenditures are incurred before funds are received. Also, this balance is needed to fund potential salary increases, Year 2000 hardware, software and implementation costs, and emergencies that may arise. As an example, during fiscal year 1998, nearly $1 million of Undesignated Fund Balance was allocated to a critically needed restroom renovation project.

Another success was the excellent financial condition of the Debt Service Fund. With the guidance of the Board's Bond Counsel and Financial Advisory firms, we determined that $6 million of funds previously designated for the Debt Service Fund could be prudently reallocated equally between the General Fund and the Capital Projects Fund. These funds will be used to cover additional restroom renovations and other repairs, plus provide funding for escalated costs due to inflation and Building Code changes for CIP III projects.

Additionally, a partial refunding of $7.2 million, of the General Obligation Bonds, Series 1995, was transacted to achieve a $859,000 present value savings in interest expense.

I would like to take this opportunity to thank you, the School Board, for your support, in continuous effort to maintain high standards of accountability and financial management.

Respectfully submitted,

Calvin P. Casmier, M.A.
Interim Superintendent of Schools

CPC/mac

NEW ORLEANS PUBLIC SCHOOLS

3510 GENERAL DEGAULLE DRIVE • NEW ORLEANS, LOUISIANA 70114

March 18, 1999

The President and Members
Orleans Parish School Board

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orleans Parish School Board (School Board) for the fiscal year ended June 30, 1998. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the School Board.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included. This report includes all funds and account groups of the School Board.

The CAFR is presented in three Sections: Introductory, Financial, and Statistical. The Introductory Section includes this Transmittal Letter, the School Board's Organizational Chart, and a list of principal officials. The Financial Section includes the general purpose financial statements and the combining and individual fund and account group statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The School Board is a political subdivision created under Louisiana State Statutes and has the power to sue and be sued, and to make rules and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the State Board of Elementary and Secondary Education. The School Board operates within Orleans Parish. The School Board is authorized to establish public schools as it deems necessary to provide adequate school facilities for the children of the parish, to determine the number of teachers to be employed and to determine local supplement to their salaries. Accordingly, the School Board is not included in any other governmental reporting entity since the School Board Members are elected by the public for a term of four years and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

All funds and entities controlled by or dependent on the School Board are included in the CAFR. Accordingly, various funds and account groups included in this report are referenced in the Table of Contents. The School Board provides a full range of regular education and related services as contemplated by the Louisiana State Statutes.

The boundaries of the School Board and City of New Orleans are co-terminus and located near the mouth of the Mississippi River in Southeast Louisiana. The leading industries of the local economy are petroleum, port, tourism and construction.

ECONOMIC CONDITION AND OUTLOOK

The U.S. economy remains healthy despite major international monetary problems and weak foreign economies. The Federal Reserve's monetary policy has remained unchanged since November 1998. The market continues to effect long-term market rates depending on the most current economic data. Rising from below 5% in October, the current 30-year Treasury Bond yields between 5.50% to 5.75%. Future Federal Reserve action will depend on the strength of the U.S. economy and inflation expectations.

The New Orleans area is forecasted to have slow economic growth over the next two years as the oil and gas sector declines. The University of New Orleans College of Business Administration forecast employment growth of 7% from 1998 to 1999 and 1.1% growth in the following year. Some 11,602 net new jobs will be added to the New Orleans area over the next two years. The strongest sector of the New Orleans economy will be the tourism industry. Phase III of the Convention Center, Jazzland Theme Park, and Harrah Casino will offer visitors additional recreational opportunities.

MAJOR INITIATIVES - 1998-99

The major initiatives of the 1998-99 school year, New Orleans Public School District focus every activity, and event around the motto: "MOVING FORWARD WITH THE COMMUNITY, TOGETHER."

This initiative requires the community to become even more involved as an active partner with the School District, participating through town meetings, Board meetings, Superintendent and parents forums in planning activities, designing policies, reviewing capital needs, assisting the schools, advising the Board, and holding the Administration accountable for student academic achievement.

The Administration's actions build on the success and strategies identified in the blueprint for growth and improvement that has guided the School District since 1993: The ***"Six Simple Measures of Success"*** for academically-performing schools. These are:

1) Schools that are disciplined, safe, orderly, and friendly;
2) Schools that are accountable for academic results to students, parents, and taxpayers:
3) Schools that produce high academic achievement for all students, preschool through 12th grade;
4) Schools where parents, community, and business leaders assume responsibility and stay involved in our system's development;
5) Schools that are clean and attractive -- like a neat, well-kept home;
6) Schools where attendance is high among students and staff.

The "Moving Forward" initiative for 1998-99 has focused the School Board and the Community on needed reforms and a renewed interest in strategic planning for the new millennium. The district is exploring a series of steady and deliberate steps to improve student performance, enhance Project Respect, strengthen the zero-tolerance discipline initiative, and expand the opportunities for students and their families to be the forces for positive change in the School District and the community.

For example, the Orleans Parish School Board and All Congregations Together have produced a Platform to ACT, listing 10 critical reform measures identified by parents as key to improved schools. These critical steps include openness at school meetings, selecting a new Superintendent, expanding after-school programs, strengthening middle schools, reducing class size, supporting principal training, and continuing the Capital Improvement Program III initiative.

The Board also signed a Memorandum of Understanding with a new community actor, the Greater New Orleans Education Foundation, to develop a long-term strategic plan which addresses 14 principles of reform. These principles encompass curriculum, student testing, school-by-school monitoring of learning progress, expanded decision-making processes within the Board's structure, implementation of the State School and District Accountability Plan, strengthened school security, reduced teacher/pupil ratios, and stronger supports for the School Superintendent. This plan is currently in the draft stage and is being reviewed with the staff, and the community has been given opportunity to comment at public forums.

In the meantime, New Orleans Public Schools continue to operate by the Five-Year Strategic Plan Outline (1996 to 2001), which addresses critical steps for improving early childhood, elementary, middle school and high school education. Among the many educational initiatives introduced or maintained and strengthened during the 1997-98 school year, the following deserve particular attention.

- **Vision 2000 - Strategic Facilities Plan:** In addition to 219 capital improvement projects already initiated by the Facility Planning Department, the Orleans Parish School Board selected a Construction/Program Manager to head up $148 million in major projects, ordered more than $1.8 million in bathroom repairs to respond to parental concerns, air-conditioned three-fourths of all classrooms, and initiated the first OCIP plan in Louisiana to involve disadvantaged contractors in the historic construction program through a pooled insurance program.

- **Project Respect**: In its third year, Project Respect became a national model for introducing and enforcing the zero-tolerance discipline initiative among students and their families. The thrust of the initiative is to urge students and their families to work together to grow in respect for themselves and others. More than 120,000 booklets were distributed to students, parents, community members, ministers, business leaders and elected officials. The discipline initiative was the topic of forums, workshops and instructional television programs.

- **Conflict Resolution:** An important strategy of Project Respect is conflict resolution, which has become a major initiative of its own. The goal is to teach students to solve problems before the problems erupt into violence. If children learn to recognize verbal and non-verbal pressure from peers, and if they are trained to work with their peers to defuse situations, then school violence can be decreased. As the children learn -- and practice -- conflict resolution in their schools, the violence also decreases in the community.

- **Security Counselors:** The Board dedicated nearly $1 million to hiring additional security counselors so that each school had proper on-site staffing to handle emergencies and prevent at-risk behaviors. Additionally, security counselors have participated in training with the New Orleans Police Department, beefed up assistance with the Sweep the Streets/NOPD Anti-Truancy Patrols, and helped close the year without one major security incident on an Orleans campus.

- **Parent Involvement**: In 1997-98, more town meetings were called by the Board than in the previous five years. These included Superintendent Forums, as well as the School Open Houses. But more importantly, the forums, held at alternating times, addressed **"Moving Forward with the Community, Together"**, a strategic dialogue led by Board Member Gail Glapion which resulted in partnerships with ACT, MetroVision/Students Priority One, People for Better Schools, and the Education Foundation. In April, parents were also invited to a series of meetings to review on a school-by-school basis the progress being made in the CIP III program and continued timetables for capital improvements.

- **Middle School Task Force**: In 1997-98, the Middle School Initiative initiated an important experiment: The first charter school was approved to focus on sixth, seventh and eighth graders graduating from James Lewis Extension School. The New Orleans Charter School, directed by Dr. Tony Recasner and monitored by a community board, is a hands-on experiment with school-based management and how this may help middle schools develop curriculum and teaching arrangements more responsive to the unique needs of young adolescent students.

- **Communications/Technology:** The school district laid the groundwork for a $12 million technology and communications initiative that will upgrade the district's computer capabilities and place 25,000 networked computers in school classrooms. This initiative, which started with 15 high schools in 1998, will insure that there is one computer for every three students in Orleans Parish. In addition to all computers being able to "talk" across site lines, thereby enhancing communications among staff, students will gain the educational advantages of linking to the Internet, while teachers will take advantage of the latest educational software for lesson planning, testing assessment and project management.

- **Cable Access:** Cox Cable moved the School District's Public Educational Station to Channel 8 in the Orleans Parish Cable Line Up. This insures greater viewership for NOPS-generated programming. Additionally, the school district has two web pages for public information.

- **School Improvement Plans:** Principals and teachers received training in the new State School and District Accountability Plan, developing one-year School Improvement Plans, learning new tougher state and national standardized testing procedures, and designing new curriculum to reflect tougher state guidelines. From these plans, 24 of the district's lowest performing schools were identified for intensified attention, receiving more than $3 million in additional assistance. Additionally, a new $6 million K-3 reading initiative was undertaken to make sure students are reading at grade level by the third grade. An overview of the "magnet" school system was also initiated to satisfy federal demands that admissions standards for these citywide schools meet guidelines set by the Civil Rights Act.

- **School-to-Career:** A partnership with Metrovision resulted in an expansion of the School-to-Work program to include college-prep and post-secondary career tracks which meet all student aptitudes and interests. The program expands the traditional college-prep curriculums of middle and senior high schools to address the more diverse skill needs of the 21st century workplace. Besides offering technology and critical-skills training, the program helps identify children for their best career path, putting them on a fast track to college or the workplace, whichever suits their needs.

- **ADEPT:** It is now possible for 15 parents to organize in any school campus in Orleans and request a pre- or post-school day care program called ADEPT. The program provides teacher-based day care opportunities at a sliding-scale cost for working parents. The program has expanded to half of all Orleans campuses.

- **Superintendent Search:** The most important function of the School Board is to identify and select a capable Superintendent. As the 97-98 school year closed, the Board was again faced with this task, and established a Superintendent Search Committee made up of university and community leaders. A new Superintendent will be selected for the 99-00 school year.

- **10-Year Millage Renewal:** In May, 1998, voters again dedicated nearly $19 million in property tax revenues to fund operations expenses for the Orleans Parish School Board, including the purchase of textbooks and other classroom supplies.

- **Testing Procedures:** The School Board ordered the review of all teacher-administered testing procedures to insure that the validity of student testing on national and state standardized tests is upheld. The toughening of testing procedures resulted in realignment of student achievement scores to reflect more accurate reading and math assessments. These assessments will be helpful as new testing comes on line and benchmarks are set for even tougher learning standards, requiring principals and teachers to make sure schools are teaching, students are learning and tests are meaningful indicators of a schools' academic performance.

- **Fixed Assets:** For the first time in 15 years, the school district undertook a systematic-review of what property it owned, had lost or stolen. More than 20 itinerant business managers have been hired to help with the daunting task. The goal is to reduce fixed asset losses/thefts in any one year to less than one-half of one percent of total assets. The school district owns more than $60 million in fixed assets.

FINANCIAL INFORMATION

Internal Controls

School Board management is responsible for establishing and maintaining internal control designed to ensure that the assets of the School Board are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) cost and benefit valuation requires estimates and judgments by management.

Budgeting Controls

The School Board maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board's governing body. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Capital Projects Funds are allocated by project and remain programmed and funded until completed or until the School Board decides to eliminate the project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. Budgetary control is maintained at the school and/or department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available budget balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at June 30 of each year.

Reporting of Millage Revenue

To improve clarity for readers of the School Board's financial statements and budget, revenues and expenditures for the Constitutional Tax of 27.65 mills and the 1988 Dedicated Millage - Purposes A, B and C are shown within the General Fund financial statements. Purpose D transactions are shown in the Capital Projects and Debt Service Funds section. The 1988 Dedicated Millage are used for the following purposes:

Purpose A	Textbooks and Supplies	2.13 mills
Purpose B	Early Childhood Development, Discipline and Dropout Prevention	2.13 mills
Purpose C	Salary and Employee Benefits	10.00 mills
Purpose D	Air Conditioning, Asbestos Removal and Major Facility Renovation and Debt Service	3.19 mills

Millages for Purposes A, B, and C were renewed for an additional ten year period by the voters in May 1998. Fiscal year 1998 revenues and expenditures for 1988 Dedicated Millage are reflected in Note 11(d) to the financial statements. As a result of reassessed millage in fiscal year 1996, the above millages were rolled forward. The increased revenue from the rolled forward Constitutional and Purpose D millage has been dedicated to fund debt service requirements for the Series 1995, 1996, 1997 and 1998 General Obligations Bonds.

Also, as authorized in the July 1995 bond referendum, 3.7 mills for debt service on the General Obligation Bonds were assessed in Fiscal 1998. The generated revenue is reported in the Debt Service Section. During fiscal 1998, the School Board approved the transfer of $4 million from the Debt Service Fund Retained Earnings and $2 million of fiscal 1998 roll forward revenue. This undedication was based upon the current Debt Service Fund Balance and a forecast of revenue based upon a 0% increase in property values. $3 million was transferred to both the General fund for restroom renovations and the Capital Projects Fund for CIP III.

GENERAL GOVERNMENTAL FUNCTIONS

General Fund

Revenues

For the year ended June 30, 1998, General Fund revenues totaled $373,527,836 compared to $345,652,279 in the prior year, an increase of $27,875,557, or 8.0%. These results include 1988 Dedicated Millage Revenues for Purposes A, B and C of $20,365,129 (1997-98) and $19,188,862 (1996-97), as per Note 11(d).

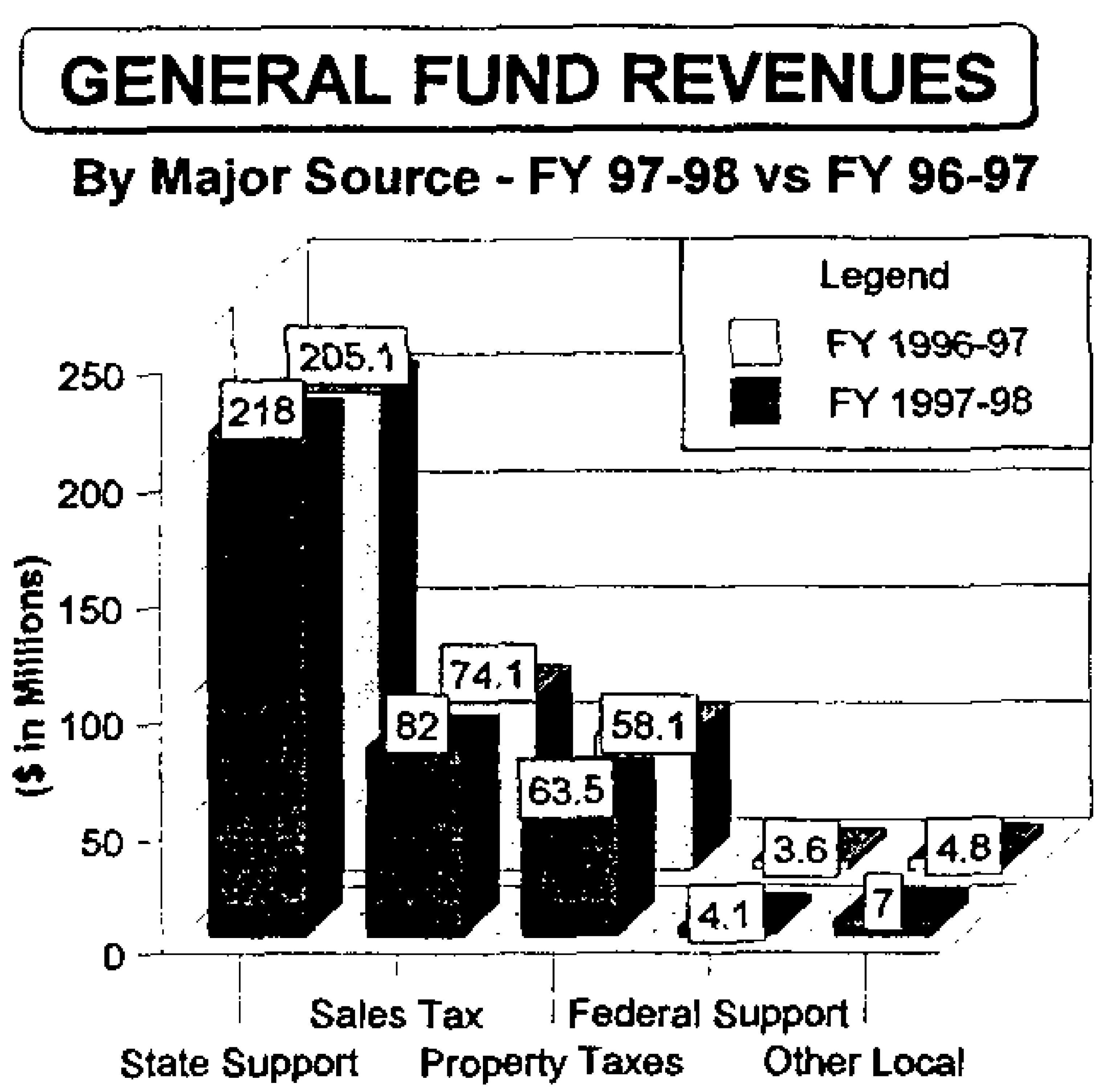
The amount of revenues from various sources and the increase or decrease over last year are shown in the following tabulation.

SUMMARY SCHEDULE OF REVENUES
(in millions)

REVENUE SOURCE	1997 - 98	1996 - 97	INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)
Local Sources:				
Ad Valorem (Property) Taxes	$ 63.5	$ 58.1	$ 5.4	9.3%
Sales Taxes	82.0	74.1	7.9	10.7
Investment Interest	2.6	2.0	0.6	30.0
Tuition and Other Fees	1.7	1.4	0.3	21.4
Other	1.7	1.4	0.3	21.4
State Sources:				
Minimum Foundation Program	208.6	196.0	12.6	6.4
Revenue Sharing	3.5	3.6	(0.1)	(2.8)
Professional Improvement Program	3.5	3.7	(0.2)	(5.4)
Other	2.3	1.8	0.5	33.3
Federal Sources	4.1	3.6	0.5	3.9
TOTAL	$373.5	$ 345.7	$27.8	8.0%

The $5.4 million increase in property taxes resulted from increased property assessments and a millage rate increase to service General Obligation Bonds debt service. The sales tax increased due to a higher volume of retail sales. Increased investment earnings arose from higher cash and investment balances and maximization of idle cash funds in higher interest yielding instruments. Increased revenue from state sources for the Minimum Foundation Program (MFP) resulted primarily from the allocation of funds for teacher pay raises.

A graphic summary of General Fund Revenues by major sources is presented below.



Source:6/30/98 CAFR - Exhibit 2, Page 6

Expenditures

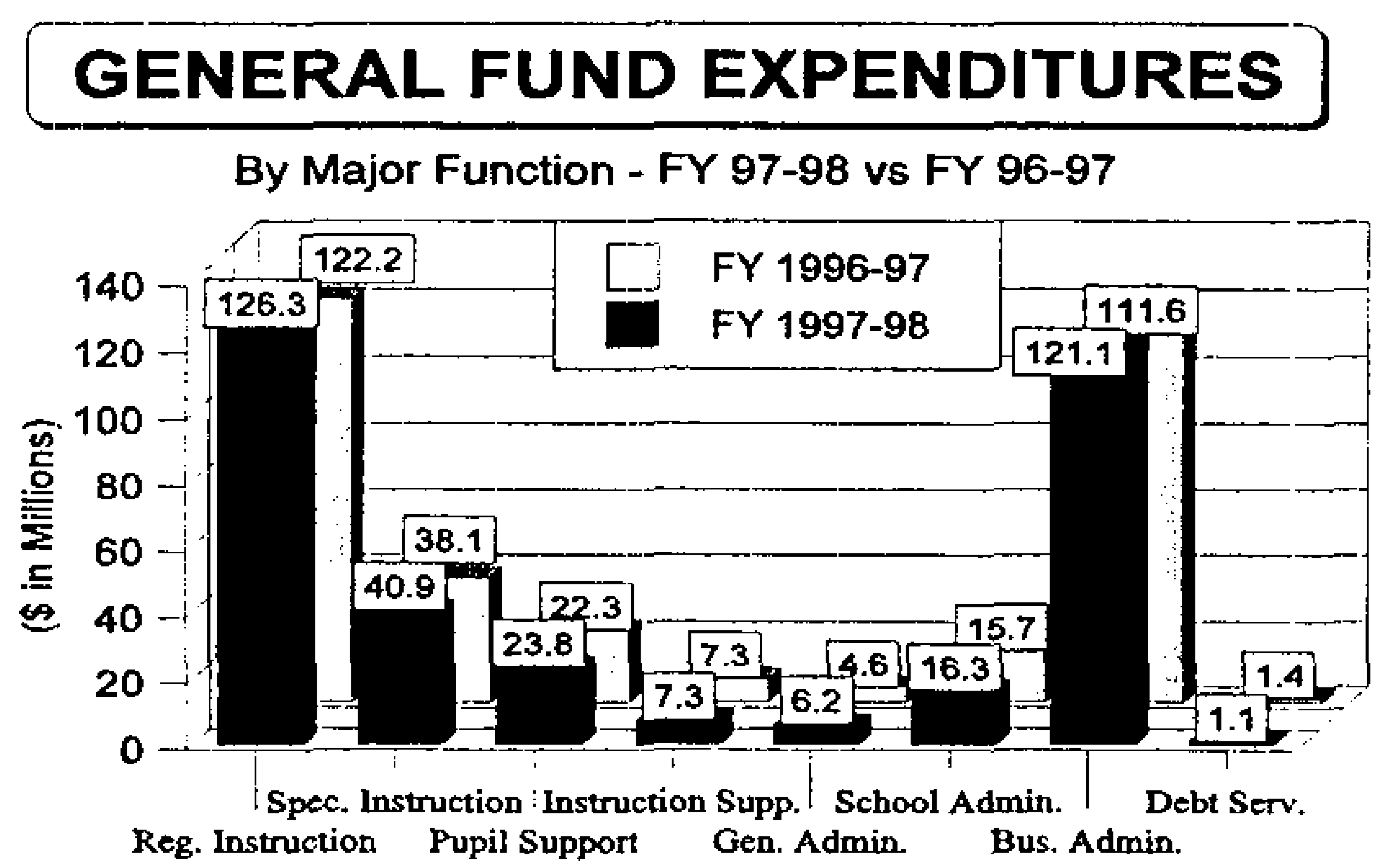
General Fund expenditures increased by 7% or $19,789,101 for the year ended June 30, 1998. Expenditures totaled $342,975,096 compared to $323,185,995 in the prior year. Expenditures of $19,523,051 (1997-98) and $19,267,646 (1996-97) for the 1988 Dedicated Millage Purposes A, B, and C are included. An itemized listing of expenditures classified by major function and the increase or decrease for each category is presented in the table that follows.

SUMMARY SCHEDULE OF EXPENDITURES
(in millions)

EXPENDITURE TYPE	1997-98	1996-97	INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)
Current:				
Instructional:				
Regular	$ 126.3	$ 122.2	$ 4.1	3.4%
Special	40.9	38.1	2.8	7.3
Support Services:				
Pupils	23.8	22.3	1.5	6.7
Instructional Staff	7.3	7.3	—	—
General Administration	6.2	4.6	1.6	34.8
School Administration	16.3	15.7	0.6	3.8
Business Administration	121.1	111.6	9.5	8.5
Debt Service	1.1	1.4	(0.3)	(21.4)
TOTAL	$ 343.0	$ 323.2	$19.8	6.1 %

Instructional expenditures increased by $6.9 million, an increase of 4.3% as compared to the previous year. The increase was the result of the 1998 teacher pay raises. Increases in the outlay for Support Services in the Pupils, and General Administration areas are primarily attributed to the 1998 pay raises.

A graphic summary of General Fund expenditures by major category is shown below.

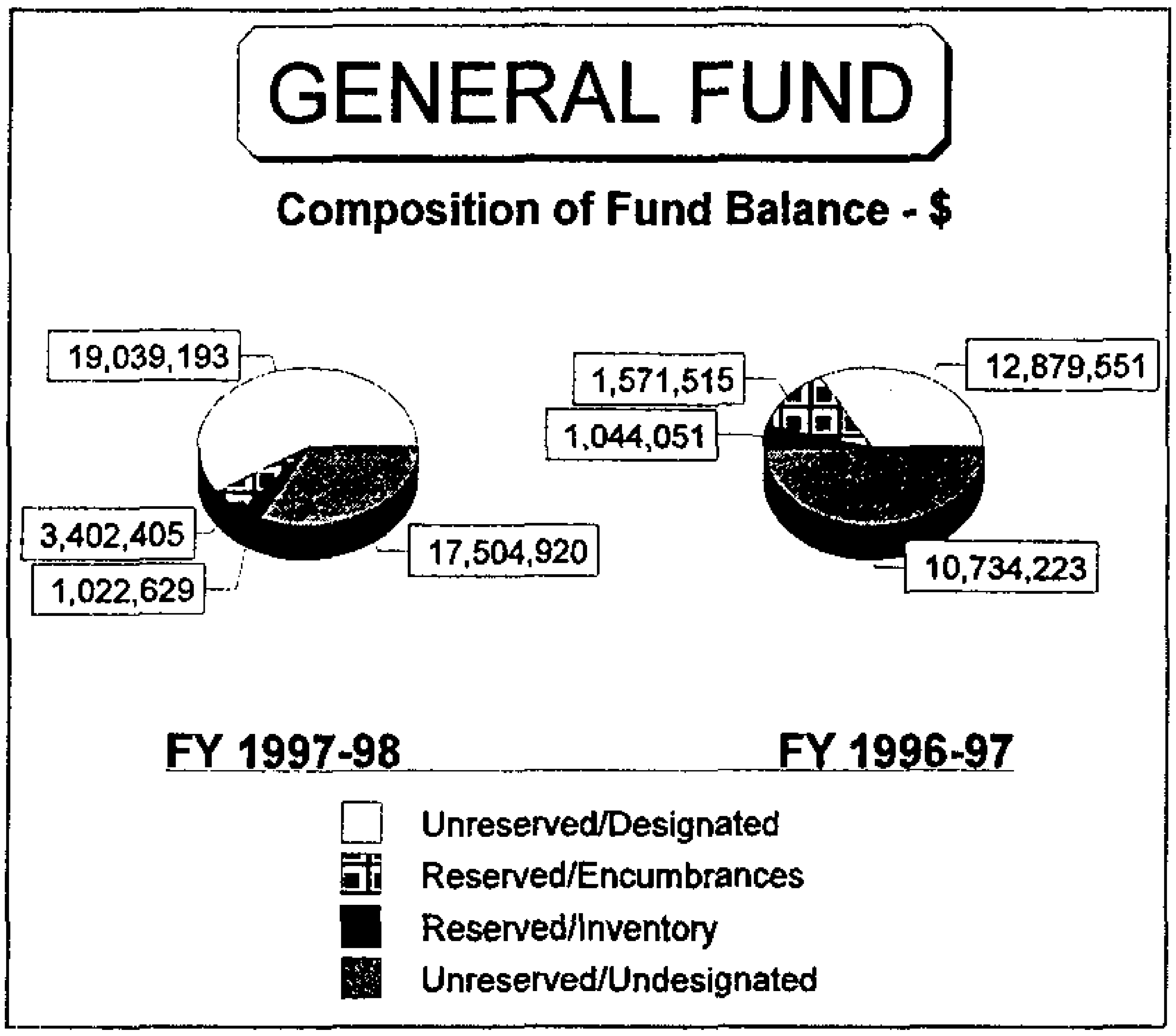


Source: 6/30/98 CAFR - Exhibit 2, Page 6

Business Administration expenditures increased by $9.5 million, primarily due to pay raises, *litigated claim* payments and attorney fees. Debt Service expenditures experienced a decrease of 21.4% as a result of the declining interest expense on capital lease agreements as principal is paid. Debt Services expenditures are comprised of the principal and interest charges on the capital lease for school buses, and the interest on a short term loan.

Fund Balance

The composition of the General Fund accumulated surplus as of June 30, 1998 and 1997 is graphically reflected below.



Sources: 06/30/98 and 06/30/97 CAFRs, Exhibit 1, Page 4

The total Fund Balances as of June 30, 1998 and 1997 are $40,969,147 and $26,229,340, respectively.

The unreserved and undesignated General Fund balance as of June 30, 1998 is $17,504,920. In addition, $3,402,405 is reserved for encumbrances, $1,022,629 is reserved for inventory and 19,039,193 has been designated for subsequent years' expenditures.

<u>Special Revenue Funds</u>

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Total revenues received from all sources for the year ended June 30, 1998 amounted to $78,399,699, as compared to $71,183,772 for the prior year, an increase of $7,215,927. Total expenditures increased by $8,292,867 for fiscal year 1997-98.

Federally funded pupil support and instructional programs, which include the Improving America's School Act (IASA) Titles I, II, IV, and VI, the Individuals with Disabilities Education Act (IDEA), and numerous other grants, had expenditures of $41,366,677 for fiscal 1998, as compared to $41,955,611 for the prior year, a decrease of $588,934. Expenditures for State and Local Funds exceeded revenues by $142,362.

The Child Nutrition Fund is used to account for all revenues and expenditures related to providing breakfasts and lunches to children of the School System. Total revenues from all other sources for the year ended June 30, 1998 amounted to $27,302,770 as compared to $26,317,133 for the prior year, an increase of $985,637. Total expenditures for the year amounted to $28,670,305, an increase of $1,984,897 from the prior year.

Capital Projects Funds

The overall excess of expenditures of $1,367,535 were offset by transfers from the General Fund and partially by the Child Nutrition Fund Balance. As of June 30, 1998, the fund balance of $231,174 is reserved for purchased inventory on hand.

The Capital Projects Funds includes all major renovation, construction and repair projects of the School Board other than those accounted for in the General Fund and Special Revenue Funds. Total capital project expenditures for construction for the year ended June 30, 1998 amounted to $13,656,066, compared to $9,335,501 for the year ended June 30, 1997, an increase of $4,320,565.

The Capital Projects Funds consists of three major programs -- Capital Improvement Programs I, II, and III.

Capital Improvement Program I includes all projects which were funded from a variety of sources prior to June, 1989, such as the replacement school for Harney Elementary. Within Capital Improvement Program I, the major activity during the fiscal year ended June 30, 1998 was the completion of the Energy Retrofit Project.

Additionally, in March 1998, as a related component of a partial refinancing of G.O. Bonds, Series 1995, $8,155,000 of G.O. Bonds Series 1998B were issued.

Capital Improvement Program II represents projects funded by Purpose D Dedicated Millage (ad valorem tax) proceeds, after use of tax proceeds to fund debt service requirements. Capital Improvement Program II includes the funds from bonds sold on June 29, 1989 as well as Purpose D cash in excess of debt service. During the fiscal year ended June 30, 1998, Purpose D millage was spent on major projects, including renovations at Chester and Johnson Schools.

Looking ahead to fiscal year 1998-99, funds from Capital Improvement Program II will be spent on completing many electrical, fire and life safety improvements and renovations to Lafayette School.

Capital Improvement Program III was authorized by the voters in a bond referendum on July 15, 1995. Since December, 1995, a total of $175 million in bonds have been issued for this program to be used for life safety, health compliance, air conditioning, and major renovations.

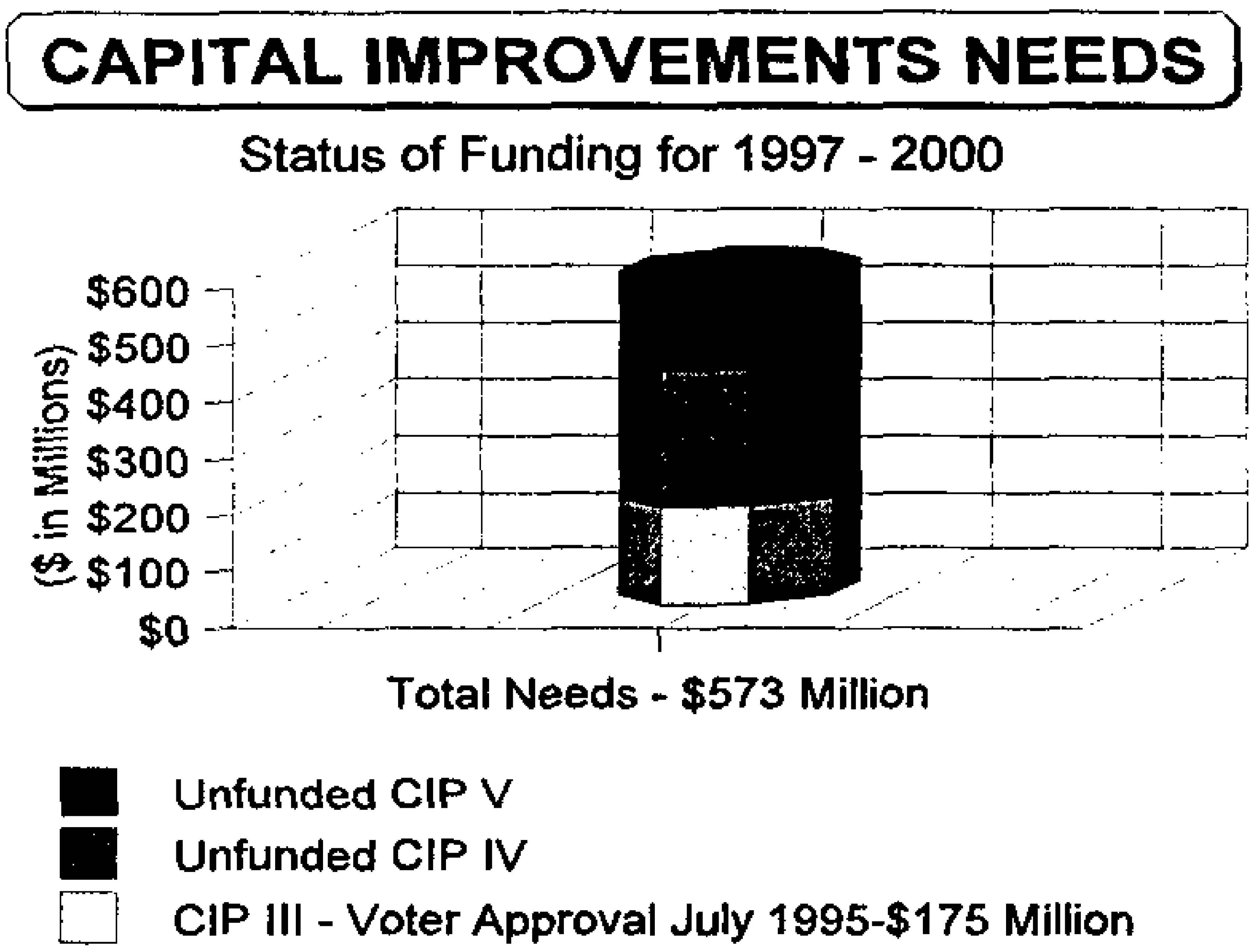
The major activity in Capital Improvement Program III during the fiscal year ended June 30, 1998 included the Carver Auditorium, McDonogh 7 renovations and Hynes roofing and heating renovations. A total of 217 renovation projects are now underway.

CAPITAL IMPROVEMENT PROGRAM	SOURCE OF FUNDS/ ORIGINATION OF PROGRAM	CAPITAL FUND	PROJECT
I.	Sales Tax and Related Funds,	1	1, 3, 4, 5, 6,
	Classroom Addition Bank Loan and	3	7, and 8
	LPFA Lease Revenue Bonds	4	9
II.	Purpose "D" 1988 Ad Valorem Tax	5	10
III.	July 15, 1995 Bond Issue	2	2

Top Priority Unfunded Projects

Meanwhile, a large number of top priority projects remain unfunded. The total estimated needs for the School Board for fiscal years 1997 through 2000 are $573 million. Of this amount, $398 million or 69% remains unfunded.

The graph below illustrates the expected bond proceeds for Capital Improvement Program (CIP) III, as well as unfunded needs for Capital Improvement Programs IV and V.



Source: N.O.P.S. Department of Facility Planning

Property, Plant and Equipment

The property, plant and equipment of the School Board are those fixed assets used in the performance of the main educational functions.

The total cost of property, plant and equipment was $449,679,189 at June 30, 1998, as compared to $442,467,258 at June 30, 1997. Such assets are generally accounted for at historical costs. Depreciation of general fixed assets is not recognized in the School Board's accounting system.

The increase in property, plant and equipment is primarily attributable to an increase in construction-in-progress and also an increase in purchases of computers and related equipment at school sites by state grants, including 8(g) funds, and Title I allotments.

Contingency Account

The school system has successfully been able to generate an undesignated contingency account of $17.5 million or 4.7% of revenue. This balance is needed to fund potential salary increases, year 2000 technology needs and emergencies that may arise.

Internal Service Funds - Insurance Funds and Print Shop Fund

The Internal Service Fund accounts for all revenues and expenses related to the School Board's insurance activities and, beginning in fiscal year 1994, Print Shop operations.

The summary below recaps the School Board's major insured programs, method of insurance and accounting for such programs as of June 30, 1998:

Type of Insurance	Type of Insurance Coverage	Fund
Health Insurance	Commercial	Internal Service
Life, Dental and Optical Insurance	Commercial	Internal Service
Workers' Compensation	Excess Commercial; $350,000 Risk each occurrence	Internal Service
Unemployment	Commercial	Internal Service
Small Tort Claims	$7,500 Retained Risk	General Fund
Litigated Claims, including		
a) Professional Liability	Commercial	
b) Comprehensive General Liability	$500,000 Retained Risk per claim (effective fiscal 1996);	General Fund and General Long-term Obligations Group
c) Auto Liability	excess commercial	

The estimated liability for self-retained risk was determined as of June 30, 1998 to be $55,250,633. Of this amount, $49,513,734 relates to litigated claims in the General Long-term Obligations Account Group; $1.3 million is for retained losses for the health insurance program; $2.2 million accounts for workers' compensation claims filed; and $2.2 million reports the amount allocated for small tort claims. This represents a net overall increase of $27.9 million from the 1997 fiscal year-end liability, primarily related to the $31 million judgment by the Federal Court in October 1998 (see Notes to Financial Statements 9 (c) and 12).

The Internal Service Fund ended the 1997-98 fiscal year with Retained Earnings balances of $1,102,160 and $2,697,948 in the Health Insurance and Other Insurance Funds, respectively. Late in fiscal 1998, the School Board received $950,000 as a settlement for its lawsuit against the actuarial firm that served as an advisor for the self-insured health program which was ended in August 1994. Since the General Fund had absorbed the fund deficit in fiscal 1994, the settlement proceeds were transferred to the General Fund. For the Life, Dental and Optical Fund, the Retained Earnings Balance was $1,362,500, as of June 30, 1998. In the Workers' Compensation Fund, the Retained Earnings Balance was $1,953,816.

In November, 1996 the School Board adopted a resolution transferring the estimated liability for litigated claims from the Other Insurance Fund to the General Long-term Obligations Account Group. Through Board action, related assets, consisting primarily of a $8 million receivable from the General Fund, were moved through a residual equity transfer to the General Fund. $2.3 million of these assets were used to eliminate the Health Insurance Fund deficit.

Of the $5.7 million remaining in the Designated Fund Balance, the Board approved the payment of $4 million of judgments and settled claims during fiscal 1998. For future years' litigated claims, the amount designated has been increased to $7.8 million. Going forward, the School Board will review and consider funding of litigated claim payments on a case-by-case basis, as presented by School Board legal counsel. Effective for the fourth quarter of fiscal 1998, nonlitigated claim expense will be reported in the General Fund.

Fiduciary Operations

The Fiduciary Funds are used to account for the assets held by the School Board in a trust or agency capacity. Resources contributed by individuals to the School Board which are to be expended for specific purposes are accounted for in the Trust Funds. During fiscal 1998, the School Board implemented GASB No. 31 and recognized an increase in marketable securities value in the Expendable Trust of $144,174.

The Agency Funds are maintained to account for cash held by the School Board as an agent. Agency activities included in this role are collection of payroll withholdings and supervision of the Student Activity Funds.

Debt Administration

During 1995-96, 1996-97 and 1997-98, long-term debt was increased as a result of five new bond issues and one note payable, in part offset by refunding of other bond issues and normal principal retirements. As indicated earlier, on July 15, 1995, the voters of Orleans Parish authorized the issuance of $175,000,000 of General Obligation Bonds. These Bonds are to be used in connection with improvements set forth in the Capital Improvements Program III (CIP). With the series of $35,000,000 on December 18, 1997 and $35,000,000 on March 25, 1998, the Board has completed the issuance of the entire amount approved by the voters.

On October 31, 1997, the School Board restructured the Escrow Account for the Refunding Bonds, Series 1987 and revised the calculations of the transferred proceeds penalty of the Refunding Bonds Series 1995B. The net savings realized by the School Board from the transaction was $669,747. On March 25, 1998, the School Board refinanced the final two installments of the 1995 General Obligation Bonds. The $8,155,000 refinanced created an annual savings of $60,000.

For the year ended June 30, 1998, the School Board had outstanding bonds totaling $365,475,518 including $9,626,786 cumulative capital appreciation interest-to-date on the Refunding bond Series 1991. All of the School Board's outstanding bonds are insured.

Cash Management

Cash temporarily idle during the year was invested in commercial bank certificates of deposit, and various securities guaranteed by the United States Government or its agencies. Total investment income for all funds amounted to $11,486,797.

The exhibit below shows the amount of income earned and the change by each fund type for the 1998 and 1997 fiscal years.

SUMMARY OF INVESTMENT INCOME EARNED

FUND TYPE	1997-1998	1996-1997	INCREASE/ (DECREASE)
General and Agency Funds	$ 2,590,479	$1,991,358	$ 599,121
Debt Service Fund	552,940	279,931	273,009
Capital Projects Fund	8,028,471	5,288,853	2,739,618
Expendable Trust Fund	162,749	10,440	152,309
Nonexpendable Trust Fund	264	543	(279)
Internal Service Funds	151,894	154,102	(2,208)
TOTAL	$11,486,797	$7,725,227	$3,761,570

Interest earnings, while reported as gross revenue, are offset by $248,827 of short-term interest expense related to a budgetary loan. A brief analysis of the changes in investment earnings follows:

General Fund

Increased interest earnings due to:
Higher cash and investment balances during the year and lower banking fees obtained by the new banking agreement achieved through an open bid process.

Debt Service

Increased interest earnings due to:
Higher cash and investment balances due to the sinking fund requirements of the refunded debts and the transfer of earned interest from the funds in Capital Improvement Project III.

Capital Projects

Increased interest earnings due to:
Higher cash and investment balances due to receipt of additional bond proceeds of $35,000,000 on December 18, 1997 and $35,000,000 on March 25, 1998.

Expendable Trust

Increased investment earnings due to :
Higher cash and investment balances due to donation of $106,138 by the High School Scholarship Association; and recognition of 144,174 investment income for an increase in marketable securities value, in accordance with GASB No. 31.

The School Board's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Also, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held in the School Board's name by the Federal Reserve Bank or an agent of the pledging financial institution.

Ninety-nine (99) percent of the investments held by the School Board at June 30, 1998 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Personal computer hardware and software collateral control procedures are used to ensure that cash and investments are adequately collateralized in accordance with State law and good business practices.

Risk Management

During 1997-98, the Risk Management Department continued the programs implemented during prior years. These activities included: 1) the Playground Restoration Project; 2) the Student Injury Data Log Project; 3) the promotion of procedures in the Employee Safety Handbook; 4) the "Support Your Back" Project; and 5) the Districtwide Safety Committee review and reporting program.

Insurance coverages were also enhanced by: adding all schools to the flood insurance to; increasing coverage limits on the property insurance from $200 to $400 million; and increasing casualty and vehicle fleet insurance from $4.5 to $5 million. In addition, employment practice coverage was added to the professional liability policy with a $10 million excess liability umbrella policy overlapping all lines of casualty/liability coverages.

Additionally, the Department and the School Board's insurance advisors recommended an Owner Controlled Insurance Program (OCIP), a vehicle for replacing contractors smaller insurance requirements with one large insurance policy to avoid gaps in coverage and produce one comprehensive safety plan for all contracts/subcontractors on CIP III projects.

Under OCIP, the School Board will purchase general liability and workers' compensation insurance in bulk for construction projects. If successful, OCIP should not only reduce construction insurance costs but enable better control for safety concerns and facilitate participation of smaller contractors.

OTHER INFORMATION

Independent Audit

The financial records of the Orleans Parish School Board for the year ended June 30, 1998 have been audited by the independent certified public accountant firm of Allen, Green & Company, L.L.P. The auditing firm's opinion has been included as part of the Comprehensive Annual Financial Report. The June 30, 1998 audit was an organization-wide Single Audit under the provisions of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The independent auditor's reports relating specifically to the Single Audit are presented in a separate report.

As explained in Notes 9(c) and 12 in the financial statements, because of a litigation matter, the School Board has filed suit against its former auditors. As a result, it engaged Allen, Green & Company to perform the fiscal 1998 audits.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orleans Parish School Board for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Orleans Parish School Board has received a Certificate of Achievement for thirteen of the last fourteen consecutive years (fiscal years ended 1984-1997). We believe our current report will continue to conform to the Certificate of Achievement program requirements, and will submit it to GFOA.

Certificate of Excellence

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting in School Systems to the Orleans Parish School Board for its comprehensive annual financial report for the fiscal year ended June 30, 1997, which represents the thirteen time within the last fourteen fiscal years that we have received this award.

The Certificate of Excellence in Financial Reporting in School Systems is an award of recognition granted by the Association of School Business Officials of the United States and Canada. The award certifies that the recipient school system has presented its comprehensive annual financial report to the ASBO Panel of Review for critical review and evaluation and that the report was judged to have complied with the principles and practices of financial reporting recognized by ASBO. Receiving the award is recognition that a school system has met the highest standards of excellence in school financial reporting.

Other Awards

The School Board received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for fiscal 1998. In order to qualify for the Distinguished Budget Presentation Award, the School Board's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. Additionally, the School Board's Cash Management and Investment Policy, adopted in March 1996, was certified by the Municipal Treasurer's Association of the United States and Canada (MTA). When the certification was awarded in 1996, only one other jurisdiction's policy in the State of Louisiana had received MTA Certification.

Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of the staff of the Finance Department as well as staff from other departments within the Division of Financial Services. We express our sincere appreciation to all members of the Division who assisted and contributed in its preparation. We also thank the Members of the Orleans Parish School Board and the Administration for their interest and support in maintaining the fiscal accountability and responsibility of the school system.

Respectfully submitted,

Calvin P. Casmier

Calvin P. Casmier, M.A., Interim Superintendent

Reginald Zeno, M.B.A., Interim Chief Financial Officer

Anthony J. Stoltz

Anthony J. Stoltz, C.P.A., Comptroller

CPC:RZ:AJS/mac

Enclosure

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orleans Parish School Board, Louisiana

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public *employee retirement* systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

ORLEANS PARISH SCHOOL BOARD

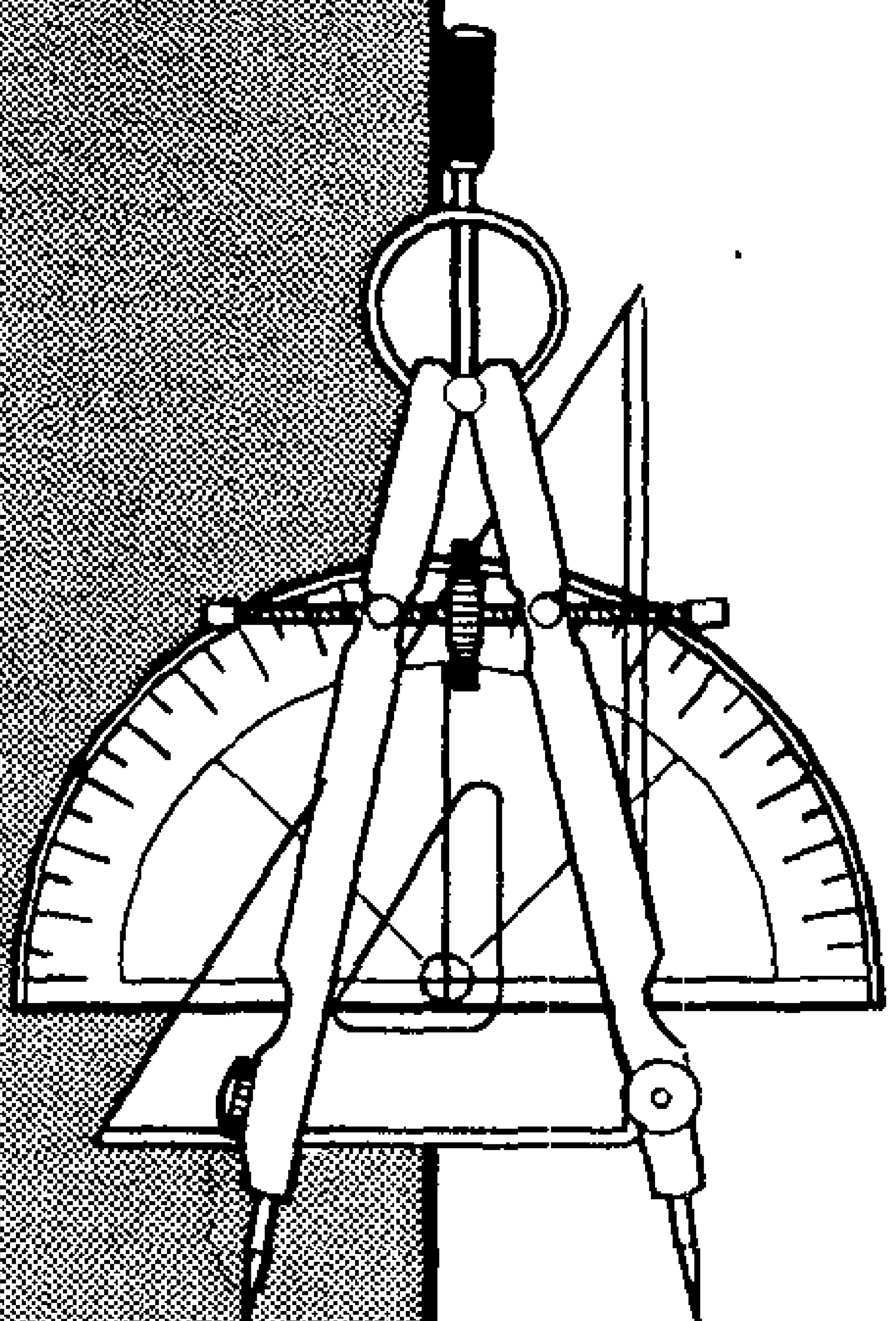
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 1997

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

FINANCIAL SECTION



ALLEN, GREEN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 6075
Monroe, LA 71211-6075

ALLEN, GREEN & COMPANY CPA
The CPA. Never Underestimate The Value℠

2414 Ferrand Street
Monroe, LA 71201
Telephone: (318) 388-4422
Facsimile: (318) 388-4664
Website: allengreencpa.com

2285 Benton Road
G.O.P. Building III, Suite 400
Bossier City, LA 71111
Telephone: (318) 741-0205
Facsimile: (318) 741-0207

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

Margie Williamson, CPA

Independent Auditors' Report

Board Members
Orleans Parish School Board
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of the Orleans Parish School Board, New Orleans, Louisiana, as of and for the year ended June 30, 1998, 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 report dated February 10, 1999, except for Note 12(c), as to which the date is March 8, 1999, we qualified our opinion on the 1998 general purpose financial statements because insufficient audit evidence existed to support the School Board's disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin (TB) 98-1, *Disclosures about Year 2000 Issues*. As described in Note 13, the School Board has elected to retroactively adopt the provisions of GASB TB 99-1, *Disclosures about Year 2000 Issues – an amendment of Technical Bulletin 98-1*. Accordingly, our present opinion on the 1998 financial statements, as expressed herein, is different from our prior report on the 1998 financial statements.

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, 1998, and the results of its operations and the cash flows of its proprietary fund types and the nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

The year 2000 information on page 44 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, under separate cover, our report dated February 10, 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 combining and individual fund and account group statements and schedules, are presented for purposes of additional analysis and are 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.

The information identified in the table of contents as the introductory section and statistical section 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
February 10, 1999

Except for Note 12(c), as to which the date is March 8, 1999,
and Note 13, as to which the date is March 31, 1999.

GENERAL PURPOSE FINANCIAL STATEMENTS

ORLEANS PARISH SCHOOL BOARD

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1998
with comparative totals for June 30, 1997

	Governmental Fund Types			
Assets and Other Debits	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Cash and cash equivalents (note 2(e))	$ 26,939,003	-	6,754,195	28,686,205
Investments (note 2(f))	-	-	3,489,024	152,691,713
Receivables:				
Ad valorem taxes (note 3)	2,306,178	-	-	-
Sales taxes	12,320,438	-	-	-
Accrued interest	15,151	-	77,365	605,244
Due from other governments (note 4)	11,968,064	16,031,799	-	-
Due from other funds (note 11(a))	23,809,030	202,164	6,348,244	1,043,495
Other	1,105,882	-	-	-
Total receivables	51,524,743	16,233,963	6,425,609	1,648,739
Inventory (note 2(g))	1,022,629	723,298	-	-
Other assets	365,241	-	-	-
Property, plant and equipment (note 5)	-	-	-	-
Other Debits:				
Amount available in debt service funds	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	$ 79,851,616	16,957,261	16,668,828	183,026,657

See accompanying notes to general purpose financial statements.

Proprietary Fund Type: Internal Service	Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-term Obligations	Totals (Memorandum Only): 1998	Totals (Memorandum Only): 1997
323,353	5,368,806	-	-	68,071,562	52,712,193
-	10,165,210	-	-	166,345,947	111,735,533
-	-	-	-	2,306,178	1,903,317
-	-	-	-	12,320,438	10,289,328
-	28,394	-	-	726,154	1,728,565
-	-	-	-	27,999,863	14,258,475
11,852,691	4,450	-	-	43,260,074	32,475,844
1,640,070	-	-	-	2,745,952	781,180
13,492,761	32,844	-	-	89,358,659	61,436,709
-	-	-	-	1,745,927	1,872,828
1,142,178	-	-	-	1,507,419	1,540,573
-	-	449,679,189	-	449,679,189	442,467,258
-	-	-	16,668,828	16,668,828	15,601,988
-	-	-	416,704,273	416,704,273	323,594,626
14,958,292	15,566,860	449,679,189	433,373,101	1,210,081,804	1,010,961,708

ORLEANS PARISH SCHOOL BOARD

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1998
with comparative totals for June 30, 1997

Liabilities, Equity and Other Credits	Governmental Fund Types General	Special Revenue	Debt Service	Capital Projects
Liabilities:				
Accounts payable	$ 7,148,510	919,944	-	866,020
Retainage payable	-	-	-	359,570
Salaries, wages and payroll taxes payable	4,670,384	-	-	-
Due to other funds (note 11(a))	19,451,044	15,111,855	-	6,128,264
Due to other governments (note 4)	1,077,971	-	-	-
Due to student groups	-	-	-	-
Deferred revenues	-	694,288	-	-
Other liabilities	2,483	-	-	-
Accrued compensated absences (notes 2(i) and 6(g))	4,289,386	-	-	-
Liability for claims payable/self-insured losses (notes 2(k), 6(g) and 10)	2,242,691	-	-	-
Bonds payable (note 6(a) and (c))	-	-	-	-
Other long-term obligations payable (note 6(g))	-	-	-	-
Total liabilities	38,882,469	16,726,087	-	7,353,854
Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved for casualty losses and employee benefits	-	-	-	-
Fund Balances (note 2(j)):				
Reserved	4,425,034	231,174	16,668,828	15,806,796
Unreserved:				
Designated for subsequent years' expenditures	19,039,193	-	-	159,866,007
Undesignated	17,504,920	-	-	-
Total retained earnings/ fund balances	40,969,147	231,174	16,668,828	175,672,803
Total fund equity and other credits	40,969,147	231,174	16,668,828	175,672,803
Total liabilities, equity and other credits	$ 79,851,616	16,957,261	16,668,828	183,026,657

See accompanying notes to general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	1998	1997
4,317,660	8,875,791	-	-	22,127,925	15,937,952
-	-	-	-	359,570	266,879
-	-	-	-	4,670,384	4,974,471
30,000	2,538,911	-	-	43,260,074	32,475,844
-	-	-	-	1,077,971	1,410,315
-	3,765,846	-	-	3,765,846	3,016,217
-	-	-	-	694,288	729,011
-	-	-	-	2,483	202,716
-	-	-	13,189,625	17,479,011	16,853,724
3,494,208	-	-	49,513,734	55,250,633	27,277,593
-	-	-	365,475,518	365,475,518	298,996,591
-	-	-	5,194,224	5,194,224	6,351,379
7,841,868	15,180,548	-	433,373,101	519,357,927	408,492,692
-	-	449,679,189	-	449,679,189	442,467,258
7,116,424	-	-	-	7,116,424	3,752,211
-	13,989	-	-	37,145,821	23,892,049
-	372,323	-	-	179,277,523	121,623,275
-	-	-	-	17,504,920	10,734,223
7,116,424	386,312	-	-	241,044,688	160,001,758
7,116,424	386,312	449,679,189	-	690,723,877	602,469,016
14,958,292	15,566,860	449,679,189	433,373,101	1,210,081,804	1,010,961,708

ORLEANS PARISH SCHOOL BOARD

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Types and Expendable Trust Funds

Year ended June 30, 1998
with comparative totals for the year ended June 30, 1997

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
From local sources:				
Ad Valorem taxes (note 11 (d))	$ 63,505,703	-	4,847,160	1,340,027
Sales taxes	81,963,623	-	-	-
Income on investments	2,590,479	-	552,940	8,028,471
Tuition and other fees	1,720,523	-	-	-
Other	1,682,860	2,524,217	-	80,826
Total revenues from local sources	151,463,188	2,524,217	5,400,100	9,449,324
From state sources:				
Minimum Foundation Program	208,584,049	-	-	-
Revenue sharing	3,551,759	-	-	-
Professional Improvement Program	3,523,870	-	-	-
Other	2,338,571	9,341,775	-	-
Total revenues from state sources	217,998,249	9,341,775	-	-
From federal sources	4,066,399	66,533,707	-	-
Total revenues	373,527,836	78,399,699	5,400,100	9,449,324
Expenditures				
Current:				
Instructional:				
Regular	126,336,224	39,625,127	-	-
Special	40,887,202	715,490	-	-
Total instructional expenditures	167,223,426	40,340,617	-	-
Support services:				
Pupils	23,835,058	1,490,586	-	-
Instructional staff	7,248,140	-	-	-
General administration	6,183,756	2,759,834	-	-
School administration	16,268,629	-	-	-
Business administration	121,131,981	35,320,331	46,079	-
Total support services expenditures	174,667,564	39,570,751	46,079	-
Capital projects	-	-	-	13,656,066
Debt service:				
Principal retirement (notes 6 and 7)	757,203	-	6,699,566	-
Interest and bank charges (notes 6 and 7)	326,903	-	16,562,675	-
Bond issuance costs (note 6)	-	-	65,215	430,024
Total debt service expenditures	1,084,106	-	23,327,456	430,024
Total expenditures	342,975,096	79,911,368	23,373,535	14,086,090
Excess (deficiency) of revenues over expenditures	30,552,740	(1,511,669)	(17,973,435)	(4,636,766)
Other financing sources (uses):				
Operating transfers in (note 11(b))	1,956,597	1,157,887	24,083,480	3,000,000
Operating transfers out (note 11(b))	(18,541,711)	(6,597)	(5,031,747)	(6,278,773)
Payment to refunded bond escrow agent	-	-	(8,166,458)	-
Bond proceeds	772,181	-	8,155,000	70,000,000
Total other financing sources (uses)	(15,812,933)	1,151,290	19,040,275	66,721,227
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	14,739,807	(360,379)	1,066,840	62,084,461
Fund balances at beginning of year	26,229,340	591,553	15,601,988	113,588,342
Residual equity transfer (note 10)	-	-	-	-
Fund balances at end of year	$ 40,969,147	231,174	16,668,828	175,672,803

See accompanying notes to general purpose financial statements.

Exhibit 2

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only) 1998	1997
-	69,692,890	61,111,028
-	81,963,623	74,119,248
162,749	11,334,639	7,570,582
-	1,720,523	1,444,559
-	4,287,903	4,430,333
162,749	168,999,578	148,675,750
-	208,584,049	195,953,625
-	3,551,759	3,602,755
-	3,523,870	3,681,509
-	11,680,346	4,467,711
-	227,340,024	207,705,600
-	70,600,106	70,022,905
162,749	466,939,708	426,404,255
-	165,961,351	155,894,991
-	41,602,692	39,280,740
-	207,564,043	195,175,731
14,025	25,339,669	23,531,573
-	7,248,140	7,334,580
-	8,943,590	6,884,037
-	16,268,629	15,737,167
-	156,498,391	144,767,405
14,025	214,298,419	198,254,762
-	13,656,066	9,335,501
-	7,456,769	5,086,507
-	16,889,578	14,910,706
-	495,239	216,265
-	24,841,586	20,213,478
14,025	460,360,114	422,979,472
148,724	6,579,594	3,424,783
-	30,197,964	22,467,686
-	(29,858,828)	(26,318,532)
-	(8,166,458)	-
-	78,927,181	35,000,000
-	71,099,859	31,149,154
148,724	77,679,453	34,573,937
223,599	156,234,822	113,996,244
-	-	7,664,641
372,323	233,914,275	156,234,822

ORLEANS PARISH SCHOOL BOARD

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types (Note 2(c))

Year ended June 30, 1998

	General Fund (Non-GAAP Budget Basis)		
	Budget	Actual	Variance-Favorable (Unfavorable)
Revenues			
From local sources:			
Ad valorem taxes	$ 60,412,813	63,505,703	3,092,890
Sales taxes	78,000,000	81,963,623	3,963,623
Interest on investments	2,200,000	2,590,479	390,479
Tuition and other fees	1,487,000	1,720,523	233,523
Other	1,150,000	1,682,860	532,860
Total revenues from local sources	143,249,813	151,463,188	8,213,375
From state sources:			
Minimum Foundation Program	208,584,000	208,584,049	49
Revenue sharing	3,600,000	3,551,759	(48,241)
Professional Improvement Program	4,000,000	3,523,870	(476,130)
Other	2,310,700	2,338,571	27,871
Total revenues from state sources	218,494,700	217,998,249	(496,451)
From federal sources	3,761,000	4,066,399	305,399
Total revenues	365,505,513	373,527,836	8,022,323
Expenditures			
Current:			
Instructional:			
Regular	126,884,902	126,336,263	548,639
Special	40,975,153	40,885,267	89,886
Total instructional expenditures	167,860,055	167,221,530	638,525
Support services:			
Pupils	28,870,942	24,975,241	3,895,701
Instructional staff	7,551,871	7,364,517	187,354
General administration	5,908,126	6,259,143	(351,017)
School administration	16,150,763	16,268,629	(117,866)
Business administration	124,992,088	121,509,068	3,483,020
Total support services expenditures	183,473,790	176,376,598	7,097,192
Debt service	350,000	1,084,106	(734,106)
Total expenditures	351,683,845	344,682,234	7,001,611
Excess (deficiency) of revenues over expenditures	13,821,668	28,845,602	15,023,934
Other financing sources (uses):			
Bond proceeds	772,000	772,181	181
Operating transfers in	1,000,000	1,956,597	956,597
Operating transfers out	(19,932,432)	(18,541,711)	1,390,721
Total other financing sources (uses)	(18,160,432)	(15,812,933)	2,347,499
Excess of revenues and other financing sources over expenditures and other financing uses	(4,338,764)	13,032,669	17,371,433
Fund balances at beginning of year	24,327,260	24,327,260	-
Fund balances at end of year	$ 19,988,496	37,359,929	17,371,433

See accompanying notes to general purpose financial statements.

Special Revenue Funds (GAAP Basis)			Totals (Memorandum Only)		
Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
-	-	-	60,412,813	63,505,703	3,092,890
-	-	-	78,000,000	81,963,623	3,963,623
-	-	-	2,200,000	2,590,479	390,479
-	-	-	1,487,000	1,720,523	233,523
3,349,893	2,524,217	(825,676)	4,499,893	4,207,077	(292,816)
3,349,893	2,524,217	(825,676)	146,599,706	153,987,405	7,387,699
-	-	-	208,584,000	208,584,049	49
-	-	-	3,600,000	3,551,759	(48,241)
-	-	-	4,000,000	3,523,870	(476,130)
10,287,308	9,341,775	(945,533)	12,598,008	11,680,346	(917,662)
10,287,308	9,341,775	(945,533)	228,782,008	227,340,024	(1,441,984)
77,384,052	66,533,707	(10,850,345)	81,145,052	70,600,106	(10,544,946)
91,021,253	78,399,699	(12,621,554)	456,526,766	451,927,535	(4,599,231)
48,662,480	39,625,127	9,037,353	175,547,382	165,961,390	9,585,992
1,174,041	715,490	458,551	42,149,194	41,600,757	548,437
49,836,521	40,340,617	9,495,904	217,696,576	207,562,147	10,134,429
1,883,787	1,490,586	393,201	30,754,729	26,465,827	4,288,902
-	-	-	7,551,871	7,364,517	187,354
3,669,963	2,759,834	910,129	9,578,089	9,018,977	559,112
-	-	-	16,150,763	16,268,629	(117,866)
36,065,974	35,320,331	745,643	161,058,062	156,829,399	4,228,663
41,619,724	39,570,751	2,048,973	225,093,514	215,947,349	9,146,165
-	-	-	350,000	1,084,106	(734,106)
91,456,245	79,911,368	11,544,877	443,140,090	424,593,602	18,546,488
(434,992)	(1,511,669)	(1,076,677)	13,386,676	27,333,933	13,947,257
-	-	-	772,000	772,181	181
456,000	1,157,887	701,887	1,456,000	3,114,484	1,658,484
-	(6,597)	(6,597)	(19,932,432)	(18,548,308)	1,384,124
456,000	1,151,290	695,290	(17,704,432)	(14,661,643)	3,042,789
21,008	(360,379)	(381,387)	(4,317,756)	12,672,290	16,990,046
591,553	591,553	-	24,918,813	24,918,813	-
612,561	231,174	(381,387)	20,601,057	37,591,103	16,990,046

ORLEANS PARISH SCHOOL BOARD

Combined Statement of Revenues, Expenses,
and Changes in Retained Earnings (Accumulated Deficit) / Fund Balances -
All Proprietary Fund Types and Nonexpendable Trust Fund

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	Proprietary Fund Types	Fiduciary Fund Types
	Internal Service	Nonexpendable Trust
Operating revenues:		
Employer contributions	$ 28,644,580	-
Employee contributions	10,203,118	-
Other - claim settlement	950,000	-
Total operating revenues	39,797,698	-
Operating expenses:		
Benefit payments	2,634,106	-
Premium payments	32,843,729	-
Provision for claims payable/ self-insured losses (note 10)	(562,949)	-
Other expenses	1,331,357	1,000
Total operating expenses	36,246,243	1,000
Operating income / (loss)	3,551,455	(1,000)
Nonoperating revenue:		
Interest income	151,894	264
Income/(loss) before operating transfers	3,703,349	(736)
Operating transfers in (note 11(b))	610,864	-
Operating transfers out (note 11(b))	(950,000)	-
Net operating transfers	(339,136)	-
Net income (loss)	3,364,213	(736)
Retained earnings (accumulated deficit)/fund balances at beginning of year	3,752,211	14,725
Residual equity transfer (note 10)	-	-
Retained earnings/fund balances at end of year	$ 7,116,424	13,989

See accompanying notes to general purpose financial statements.

Exhibit 4

Totals (Memorandum Only)	
1998	1997
28,644,580	27,848,393
10,203,118	10,278,180
950,000	-
39,797,698	38,126,573
2,634,106	3,212,955
32,843,729	33,025,003
(562,949)	(223,910)
1,332,357	2,473,414
36,247,243	38,487,462
3,550,455	(360,889)
152,158	154,645
3,702,613	(206,244)
610,864	3,850,846
(950,000)	-
(339,136)	3,850,846
3,363,477	3,644,602
3,766,936	(12,021,315)
-	12,143,649
7,130,413	3,766,936

ORLEANS PARISH SCHOOL BOARD

Combined Statement of Cash Flows -
All Proprietary Fund Types and Nonexpendable Trust Fund

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	Proprietary Fund Internal Service
Cash flows from operating activities:	
Operating income (loss)	$ 3,551,455
Adjustments to reconcile operating income to net cash used in operating activities:	
Provision for claims payable/self-insured losses (note 10)	(562,949)
Changes in assets and liabilities:	
Decrease (increase) in receivables	(1,496,684)
Decrease (increase) in other assets	398,395
Decrease (increase) in due from other funds	(118,168)
Increase in accounts payable	151,202
Increase (decrease) in due to other funds	29,171
Increase (decrease) in claims payable/ self-insured losses payable	(1,775,245)
Total adjustments	(3,374,278)
Net cash used in operating activities	177,177
Cash flows from noncapital financing activities:	
Operating transfers from (to) other funds	(339,136)
Residual equity transfer	-
Net cash used in noncapital financial activities	(339,136)
Cash flows from investing activities:	
Interest income	151,894
Sale of investments	-
Net cash provided by investing activities	151,894
Net increase (decrease) in cash and cash equivalents	(10,065)
Cash and cash equivalents at beginning of year	333,418
Cash and cash equivalents at end of year	$ 323,353
Reconciliation of cash and cash equivalents as listed on Exhibit 1:	
Cash and cash equivalents	$ 323,353
Less: amounts not included in nonexpendable trust fund	-
Total cash and cash equivalents	$ 323,353

See accompanying notes to general purpose financial statements.

Fiduciary Fund Nonexpendable Trust	Totals (Memorandum Only) 1998	1997
(1,000)	3,550,455	(360,889)
-	(562,949)	(223,910)
4	(1,496,680)	3,651
-	398,395	(633,357)
-	(118,168)	5,013,476
-	151,202	1,125,005
-	29,171	(1,026,742)
-	(1,775,245)	(20,211,925)
4	(3,374,274)	(15,953,802)
(996)	176,181	(16,314,691)
-	(339,136)	3,850,846
-	-	12,143,649
-	(339,136)	15,994,495
264	152,158	154,645
1,000	1,000	144,794
1,264	153,158	299,439
268	(9,797)	(20,757)
9,271	342,689	363,446
9,539	332,892	342,689
5,368,806	5,692,159	12,597,549
(5,359,267)	(5,359,267)	(12,254,860)
9,539	332,892	342,689

NOTE 1 - REPORTING ENTITY

The Orleans Parish School Board (School Board) is a political subdivision created for providing public education to the citizens of Orleans Parish under Louisiana Revised Statutes 17:51 and 17:121, as amended. The School Board has the power to sue and be sued, and to make rules and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the State Board of Elementary and Secondary Education. The School Board is presently composed of seven members elected by districts serving concurrent four year terms; these terms began January, 1997.

The School Board is authorized to establish public schools as it deems necessary to provide adequate facilities for the citizens of the parish, to determine the number of teachers to be employed and to determine local supplements to their salaries. Accordingly, the School Board is considered a primary government. There are no component units, except for the Educational Trust Fund District which is governed by the School Board members; since it has no assets, inclusion as a component unit is not considered necessary. The School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. These financial statements include all of the funds and account groups and all activities considered to be part of or controlled by the School Board.

The School Board is composed of a central office, 137 schools and educational support facilities. Student enrollment for the 1997-98 year was 83,724 regular and special education students, of which 81,242 were funded through the State Minimum Foundation Program. The School Board employs approximately 9,100 persons (full time) of which approximately 87% are directly employed at school sites. The remainder provide ancillary support such as general administration, repair and maintenance, bus transportation and financial services. The regular school term begins in late August and runs through early June.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School Board conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) Basis of Presentation - Fund Accounting

The accounts of the School Board are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses, as appropriate. Resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the School Board:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The following pages lists the School Board's governmental fund types:

- General Fund - The General Fund is the primary operating fund of the School Board and receives most of the revenues derived by the School Board from local sources (principally ad valorem and sales taxes) and state sources (principally the Minimum Foundation Program funding). Ad valorem taxes include revenues from general purpose millage and dedicated millage. There are two types of dedicated millage revenue: (1) "Dedicated Millage for Purposes A, B and C", which was approved in an April, 1988 referendum; and (2) Construction Improvement Program III/Vision 2000 (CIP III) Millage, which was authorized by a July, 1995 referendum.

Purposes A, B and C dedicated millage revenues are used as follows: Purpose A: Textbooks and Supplies; Purpose B: Early Childhood Development, Discipline and Dropout Prevention, and Purpose C: Salary and Employee Benefits. On May 2, 1998, the voters of New Orleans renewed these millages for an additional ten-year period. 1997-98 dedicated millage revenues and expenditures are detailed in Note 11 (d). CIP III Millage is used for debt service on the bonds issued for the $175 million renovation project.

General Fund expenditures represent the costs of general school system operations and include functional categories of instructional and support services. The General Fund is used to account for all financial resources and expenditures except those required to be accounted for in another fund.

- Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. These funds account for the revenues and expenditures related to federal, state and local grant and entitlement programs for various educational objectives and child nutrition services.

- Debt Service Funds - Debt Service Funds, established to meet requirements of bond ordinances and other long-term borrowing, are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. A separate Debt Service Fund is maintained for each, similar bond issue type (e.g., General Obligation Bonds, EPA loans) or each refunding or unique issue, and long-term loan currently outstanding.

- Capital Projects Funds - Capital Projects Funds are used to account for the receipt and disbursement of the proceeds of general bond issues and other special or designated revenues used for the acquisition or construction of major capital facilities, renovations and major repairs (other than General Fund capital outlays, Special Revenue Fund capital outlays, and those projects financed by the Proprietary Fund).

  The Capital Projects Funds include five separate funds signifying the source of funding and sameness of activities for projects within a group. Annually, capital projects are reviewed and similar projects are combined. A summary of the various capital projects is as follows:

  Capital Fund #1 includes projects funded from various sources such as the General Fund, the federal government, insurance settlements, sales of surplus property, the one-half percent sales tax proceeds (see Note 3) and the Louisiana Enhanced Mineral Income Fund.

  Capital Fund #2 includes projects which are being funded from the $175 million Bond Issue Referendum, approved by the voters on July 15, 1995. These funds will be used to upgrade facilities to meet health and safety codes and to correct critical structural problems.

  Capital Fund #3 includes projects funded from the one-half percent sales tax proceeds and the proceeds of a 1985 $75,000,000 bond issue. Expenditures within this fund are for major repairs, renovations, property acquisition and building of new facilities.

  Capital Fund #4 includes projects which are being funded from the $11,500,000 construction fund established by the 1987 Refunding Bonds. These projects include M.L. King, Jr., School, which opened in 1995, and Edgar Harney Elementary School, which is in the planning stage.

  Capital Fund #5 includes projects funded from the now refunded Capital Funding Series 1989A Bonds (Note 6). Debt service on the bonds is provided by the Purpose D millage approved by voters on April 16, 1988. In addition to the bond proceeds, receipts in excess of annual debt service, over the original four-year and subsequent construction periods, have been and will be used to fund additional projects. Expenditures include systemwide interior renovations, asbestos removal, roof replacement, heating and air conditioning improvements, fire and life safety, energy conservation and electrical improvements.

Proprietary Fund Types

The Proprietary Fund is used to account for the School Board's ongoing organizations and activities which are similar to those often found in the private sector. The School Board applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting and reporting for its Proprietary Fund operations unless those pronouncements conflict with or contradict Government Accounting Standards Board (GASB) pronouncements. The measurement focus is upon determination of net income. The School Board's proprietary fund type is limited to Internal Service Funds as follows:

- Internal Service Funds - Insurance Funds and Print Shop Fund - The Internal Service Funds are used to account for the accumulation of resources for and the payment of benefits by the School Board's insurance programs and to report revenues and expenses of the School Board's Print Shop. The School Board maintains the following insurance funds:

  Health Insurance Fund - This fund is used to account for the employee and employer contributions to, and the payment of premiums for the Health Insurance Program. Effective August, 1994, the School Board ended its self-insured program and established a fully insured program. Prior to 1994, the School Board offered a self-insured employee medical and health program financed solely by employees and the School Board.

  Life, Dental and Optical Insurance Fund - This fund is used to account for the employee and employer contributions to and the payment of premiums for the Life, Dental and Optical Insurance Program, which is fully insured, subject to retrospective adjustment for premiums.

  Workers' Compensation Fund - This fund is used to account for claims arising from employment related injuries. Prior to December 1, 1984, this fund was self-insured by the School Board for claims up to $150,000 per occurrence. Subsequently, and until April, 1990, coverage was on a fully insured basis. In April, 1990, the School Board initiated participation in a self-insurance plan which include the purchase of excess insurance for claims in excess of $350,000 per occurrence.

  Other Insurance Fund - This fund is used to account for the other insurance programs. The significant insurance programs of this fund consist of the following types: (1) $400 million blanket fire and wind storm coverage for buildings and contents with a $500,000 per occurrence deductible; (2) comprehensive automotive fleet insurance, which is fully insured for vehicle physical damage, except for a $2,500 deductible and liability coverage with a $500,000 per occurrence retention; (3) automotive general liability is fully insured, except for a retention of $500,000; (4) flood insurance, which is fully insured, except for a cumulative deductible of $15,000 per occurrence; (5) unemployment insurance, which is fully insured with no deductible; (6) professional liability, which is fully insured, except for a $25,000 per occurrence deductible; and (7) fidelity bond coverage.

Through April 30, 1994, the School Board self-insured the litigated claims. Subsequent to April 30, 1994, the School Board obtained commercial reinsurance for claims exceeding $500,000. Prior to fiscal 1997, the School Board accounted for its general liability litigated and nonlitigated claims in the Other Insurance Fund. Effective July 1, 1996, as a result of increasing litigated claims, the School Board discontinued the use of the Other Insurance Fund for litigated claims. The estimate of litigated claim liability is recorded in the General Long-term Obligations Account Group. Beginning April 1, 1998, the revenues and expenses for nonlitigated claims are reported in the General Fund.

Proprietary Fund revenues are derived from insurance premiums charged to employees and primarily to the General Fund and Special Revenue Funds. These revenues are planned to match: (1) expenses of insurance premiums for coverage in excess of self-insurance amounts; (2) estimated claim losses resulting from the self-insurance programs which include estimated liabilities for claims incurred but not reported at year end; and (3) operating expenses. Retained earnings are accumulated for future loses; such accumulations are being monitored, and refunds and/or reductions in premiums may be assessed if accumulations are in excess.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the School Board in a trustee or agency capacity and include the following:

- Trust Funds - This group of funds was created to account for cash, investments and other resources contributed by various individuals to the School Board to be expended for purposes for which the trusts were established.

  The Trust Funds include the Eexpendable Trust Fund which is accounted for and reported in essentially the same manner as governmental funds, and the Nonexpendable Trust Fund which is accounted for and reported in essentially the same manner as proprietary funds. For nonexpendable trusts, principal must be preserved intact.

- Agency Funds - This group of funds is maintained to account for cash held by the School Board as an agent. Agency Funds are custodial in nature, do not involve measurement of the results of operations and are accounted for and reported as governmental funds. The School Board maintains the following agency funds:

  Payroll Withholding Fund - This fund is maintained to deposit monies withheld from the payroll of ten-month employees who have elected to be paid on a twelve-month basis.

  Student Activity Fund - This fund is used to account for those monies collected by pupils and school personnel for school and school-related purposes and for instructional program funding disbursed to schools electing to participate in the site-based purchasing program. These monies are used by the students and school personnel at their discretion, and are included in the Agency Fund since the School Board acts as the custodian. The School Board's responsibilities for this fund are to safeguard the fund's assets and provide guidelines for revenues, expenses and financial accountability. Each school maintains separate sets of accounts for monies generated by individual student body organizations and annual allotments supplied by the School Board. The revenues of these accounts consist mainly of fees charged, fund raising projects, and contributions. Expenditures are made for the instructional program and a wide variety of school activities.

Account Groups

Account groups are used to establish accounting control and accountability for the School Board's general fixed assets and general long-term obligations. The following are the School Board's account groups:

- General Fixed Assets Account Group - This account group has been established to account for the general fixed assets with a cost of $300 or greater.

- General Long-term Obligations Account Group - This account group has been established to account for unmatured general obligation indebtedness, the long-term portion of compensated absences, estimated long-term liability related to litigated claims and other long-term obligations of the School Board.

  The School Board reports long-term obligations of its governmental funds at face value in the General Long-term Obligations 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 Obligations 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 applicable premiums or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

  The School Board recognizes an estimate for its liability for claims and judgements as soon as the loss is known and reasonably determinable, even if a claim has not been asserted. However, only that portion of estimated liabilities for claims and judgements that would normally be liquidated with expendable available financial resources at June 30, 1998 are reflected as a liability and expenditure in the General Fund. The remaining balance of the liability is reported in the General Long-term Obligations Account Group.

(b) Measurement Focus/Basis of Accounting

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

All Proprietary Funds and Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Governmental Fund Types, Expendable Trust Funds and Agency Funds use the modified accrual basis of accounting. Revenues are recorded when they become both measurable and available. Available means expected to be collected within the next two months for property taxes and generally the next twelve months for other revenues. Revenues not considered available are recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred if it is expected to be paid within the next twelve months, except for principal and interest on general long-term obligations which are recorded when due. Liabilities which will not be normally liquidated with expendable available financial resources are recorded in the General Long-term Obligations Account Group.

The Internal Service Funds and Nonexpendable Trust Funds are maintained using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred, if measurable. Certain payments reflect costs applicable to future accounting periods and are recorded as Other Assets.

Revenues from local sources consist primarily of property and sales taxes. Property tax revenues due before the end of the year are recognized under the susceptible-to-accrual concept. Property tax revenues expected to be collected within 60 days after the balance sheet date are recorded as revenues. Sales taxes are recognized as revenues at the point of sale. Other revenues from local sources consist principally of interest income which is recognized as revenue when earned. Sales tax collections are recognized as revenue when received since such monies are available for current expenditures.

Revenues from federal and state grants and entitlement payments which are restricted as to the purpose of expenditure are recognized as earned when the related program expenditures are incurred. Funds received, but not yet earned, are recorded as deferred revenues. Revenues from federal and state grants and entitlement payments which are unrestricted as to the purpose of expenditure are recognized under the susceptible-to-accrual concept. Bond proceeds are recognized as other sources of funds in the General Fund, Debt Service Funds or the Capital Projects Funds at the time the bonds are issued.

Allowances for uncollectible receivables are recorded as necessary. As of June 30, 1998, no provision had been recorded.

(c) Budgetary Data

The School Board employs the following procedures in establishing the budgetary data recorded in the General Purpose Financial Statements:

1. Annually, the Superintendent of Schools submits to the School Board a proposed annual budget of expected revenues and expenditures for the General Fund and Special Revenue Funds. Legally adopted budgets are only required for the General Fund and the Special Revenue Funds.

The budgets are prepared under the modified accrual basis of accounting except that in the case of the General Fund outstanding encumbrances at the close of the fiscal year are treated as expenditures.

2. A public hearing is advertised and conducted to obtain public input and the proposed budgets are published.

3. The budget is adopted by the School Board and, as required, is submitted no later than September 30 to the State Department of Education for approval.

4. The Superintendent is authorized to move budgeted items within line items within departments or programs in the School Board's approved General Fund Budget, the legal level of control, but may not increase the total amount authorized. If during the course of the fiscal year, it becomes evident that estimated revenues, expenditures or beginning fund balance may vary substantially (5%) from the amounts budgeted, then the Superintendent shall inform the Board of the shortfall. Based on the information submitted, the School Board will adopt an amended budget according to the procedures set forth by the State Legislature in R.S. 39:1309 and 1310, and send a copy of the revision to the Louisiana Superintendent of Education. Other budget revisions are submitted to the School Board for approval on a quarterly basis. A copy of these revisions is also sent to the Louisiana Superintendent of Education.

5. Expenditures for Special Revenue Fund Budgets, except for the Child Nutrition Program, may not exceed budgeted amounts by more than 5% unless a budget revision is approved by the State Department of Education. For the Child Nutrition Program, budget amendments follow requirements of the General Fund.

6. Capital Projects Funds are allocated by project using architectural and engineering estimates. All projects remain programmed and funded until completed or until the School Board decides to eliminate the project. Accordingly, budget and actual comparisons are not reported in the general purpose financial statements for those funds.

7. All budget amounts presented in the General Purpose Financial Statements have been adjusted for legally authorized revisions of the annual budgets incorporated into interim financial reports presented to the School Board. No legal restrictions, other than those mentioned previously, are placed on the General Fund Budget.

8. Appropriations are valid only for the year in which made, and any part of such appropriation which is not encumbered or expended lapses at the end of the year. The level of control over the budget is exercised at the department or program level for the General Fund and Special Revenue Funds.

9. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis for the General Fund differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP). Because the budgets in the Special Revenue Funds are prepared on a modified accrual basis, no differences in budget basis and GAAP basis occur for those funds.

The following is a reconciliation of basis and timing differences for the General Fund:

Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis at June 30, 1998 (Exhibit 3)		$13,032,669
Add encumbrances at June 30, 1998:		
Total encumbrances	$ 3,402,405	
Less encumbrances on inventory	(191,731)	3,210,674
Less encumbrances at June 30, 1997:		
Total encumbrances	(1,571,515)	
Less encumbrances on inventory	67,979	(1,503,536)
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis at June 30, 1998 (Exhibit 2)		$14,739,807

(d) Encumbrances

Encumbrances represent commitments related to unperformed or executory contracts for goods and services, and generally arise as a result of outstanding construction contracts or purchase orders. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. As materials are subsequently received and construction contracts are executed, liabilities are recorded and the related encumbrances are liquidated.

(e) Cash and Cash Equivalents

For purposes of the Combined Balance Sheet and the Combined Statement of Cash Flows, cash and cash equivalents include cash and highly liquid investments. Highly liquid investments are defined as those investments having original maturities of less than three months from the date of purchase.

The breakdown of cash and cash equivalents, as of June 30, 1998, is as follows:

Cash	$59,102,470
Certificates of Deposit	2,256,744
Securities of U.S. Government and other Government Agencies	3,769,368
Money Market Funds	2,942,980
TOTAL	$68,071,562

The School Board's **Cash Management and Investment Policy** requires that cash balances of all funds are combined and invested to the extent possible in direct obligations of the U.S. Government or its agencies, certificates of deposit and other short-term obligations. Interest earned on these investments is distributed to the individual funds on the basis of invested balances of the participating funds during the year.

- Cash and Certificates of Deposit: The School Board is authorized by state statute to open depositories in those banks with branch offices in the state.

The State of Louisiana requires Louisiana banks and savings and loans to secure deposits of all Louisiana public entities by pledging government securities as collateral for amounts in excess of federal depository insurance.

As of June 30, 1998, the entire amount of cash and certificates of deposit was covered by federal depository insurance or collateral for amounts in excess of federal depository insurance. At year-end, all the collateral was held in the School Board's name at a Federal Reserve Bank or at a correspondent financial institution.

- Securities of the U.S. Government and Other Government Agencies: Those investments consist of bonds, notes or other evidence of indebtedness issued or guaranteed by U.S. Government instrumentalities, which are federally sponsored, such as:

  - U.S. Treasury Notes;
  - Federal Home Loan Bank;
  - Federal Home Loan Mortgage Corporation; and
  - Federal National Mortgage Association.

- Money Market Funds: During 1997-98, the School Board used three Money Market Funds to increase the interest earnings, as shown below.

  - Federated Trust for U.S. Treasury Obligations;
  - Marquis Treasury Securities Money Market Fund; and
  - The One Group U.S. Treasury Securities Money Market Fund.

  In all cases, these funds have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies. In certain Capital Project Funds where uncertain cash flows exist, the School Board invests in Money Market Funds.

(f) Investments

Investments are stated at cost, amortized cost, unless other than temporary market declines have occurred, or market value. State statutes authorize the School Board to invest in U.S. Bonds and Treasury Notes, securities of U.S. Government agencies and instrumentalities, and repurchase agreements secured by U.S. Government obligations. In addition, certificates of deposit with original maturities over ninety days are also included in the investment category.

The School Board's investments are categorized as described below to give an indication of the level of risk assumed by the School Board at year-end.

> **Category 1** includes investments that are insured or registered or for which the securities are held by the School Board or its agent in the School Board's name and deposits with maturities greater than three months that are insured or collateralized, in the School Board's name, at a Federal Reserve Bank, or at a correspondent financial institution.
>
> **Category 2** includes uninsured or unregistered investments for which the securities are held by the *counterparty's trust department or agent in the School Board's name.*
>
> **Category 3** includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the School Board's name.

A breakdown of investments as of June 30, 1998 is as follows:

	CATEGORY 1	CATEGORY 2	CATEGORY 3	COST	MARKET VALUE	CARRYING VALUE
Certificate of Deposit	$57,349,752	$ —	$ —	$57,349,752	$ 57,349,752	$ 57,349,752
U.S. Treasury Discount Notes	107,711,749			105,891,236	107,676,952	107,711,749
Flexible Repurchase Agreements (Over 90 days at acquisition)	1,117,500	—	—	1,117,500	1,117,500	1,117,500
Marketable Securities	—	—	166,946	22,772	166,946	166,946
TOTAL INVESTMENTS	$166,179,001	$ —	$166,946	$164,381,260	$166,311,150	$166,345,947

Orleans Parish School Board purchases discount notes with the intent to hold these investments to maturity. These investments offer protection of principal and securities are purchased with maturities that coincide with projected cash flow needs. The carrying value is determined by adding the prorated amortization to the original purchase price.

Marketable Securities consist of eight (8) common stocks traded on the New York Stock Exchange. These securities are held in the Abramson Foundation Fund which is reported within the Nonexpendable Trust Fund. Proceeds from this fund are to be used for projects at Abramson Senior High School.

GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, was implemented during fiscal 1998. The effect of this change was that, as of June 30, 1998, the market and carrying values of the marketable securities were increased by $144,174 while the discount notes were increased by $1,820,513 to reflect current value.

(g) Inventory

Inventory is valued at cost (first-in, first-out), except for donated commodities which are stated at market value, at the date donated, as determined by the federal government.

Inventory in the General Fund consists of expendable supplies held for consumption. The cost of inventories is recorded as expenditures when consumed.

Inventory in the Child Nutrition Fund, which is presented under Special Revenue Funds, consists of purchased food, lunchroom materials, supplies and donated commodities. Such inventory is recorded as revenues and expenditures when consumed. Inventories of Governmental Funds, except for unused donated commodities, are offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets. Unused commodities are reported as deferred revenue until used.

(h) Property, Plant and Equipment

Land, buildings and improvements, furniture and equipment are recorded as expenditures in the Governmental Funds and are capitalized in the General Fixed Assets Account Group at cost. Donated fixed assets are valued at their estimated market value on the date of donation. No depreciation has been provided on general fixed assets, nor has interest been capitalized. Leases (Note 7) that qualify as a capital lease are capitalized.

(i) Compensated Absences

The School Board's three types of compensated absences which accumulate or vest are described as listed below.

- Vacation - Full-time employees who work year round are granted vacation in varying amounts (maximum of 22 days per year) as established by School Board policy. Unused vacation days earned prior to July 1, 1987 may be carried forward indefinitely. Vacation earned after July 1, 1987 during each fiscal year must be taken on or before December 31st of the following fiscal year; in the event of termination, an employee is reimbursed for accumulated vacation days up to thirty days.

- Sick Leave - Under terms of union contracts and School Board policy, each employee is entitled to ten days of sick leave per year. Sick leave may be accumulated without limit; however, employees are only reimbursed for accumulated sick leave up to twenty-five days upon death or retirement with twenty or more years of service.

- Sabbatical Leave - Any employee with a teaching certificate is entitled, subject to approval by the School Board, to one semester of sabbatical leave after three years of continuous service or two semesters of sabbatical leave after six or more years of continuous service. Leave may be granted for rest and recuperation, and professional and cultural improvement. While on sabbatical leave, the employee receives regular compensation less $50 per day.

At June 30, 1998, $4,289,386 has been accrued as a current liability in the General Fund, which represents the portion of the estimated compensated absences and related benefits for vacations, sick leave, and sabbatical leaves which will be taken or reimbursed within twelve months of the balance sheet date. The remaining amount of $13,189,625 has been recorded in the General Long-term Obligations Account Group, representing that portion of the estimated compensated absences and related benefits for the General Fund which will not be normally liquidated with expendable available financial resources.

(j) Fund Equity

The fund equity section of the combined balance sheet for a governmental unit consists of two separate elements. The equity portion of the balance sheet of a governmental unit for its proprietary-type funds is referred to as retained earnings. The equity portion of the balance sheet related to governmental and fiduciary fund types is referred to as the fund balance.

Within each fund equity section are subordinate accounts or groups such as reservations and designations which are used to report allocations of funds as follows:

- **Reserved accounts** indicate the portion of fund equity which has been legally separated for specific purposes or is not appropriable for expenditure.

- The **unreserved designated** amount indicates the portion of fund equity the School Board has set aside for planned future projects.

- The **unreserved undesignated account** indicates the portion of fund equity which is available for budgeting and expending in the future.

The composition and purposes of the reserved portion of fund balances in the various funds are as shown below.

Purposes of Reserved Portion of Fund Balances

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	
RESERVATION PURPOSE	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TRUST & AGENCY	TOTAL
Encumbrances	$3,402,405	$ —	$ —	$15,806,796	$ —	$19,209,201
Inventory	1,022,629	231,174	—	—	—	1,253,803
Debt Service	—	—	16,668,828	—	—	16,668,828
Endowment Restrictions	—	—	—	—	13,989	13,989
TOTAL	$4,425,034	$231,174	$16,668,828	$15,806,796	$13,989	$37,145,821

(k) Claims and Judgements

The School Board provides for losses and anticipated expenses resulting from claims and judgments including claim adjustment expenditures/expense, salvage and subrogation. Liability for such losses is recorded in the Internal Service Fund - Insurance Funds (see Note 2(a) - Proprietary Fund Types) and the General Long-term Obligations Account Group (see Notes 6(g) and 10). Incurred but not reported claims as of June 30, 1998 have been considered in determining the accrued liability.

(l) Comparative Total Data (Memorandum Only)

Comparative total data for the prior year have been presented in the combined financial statements in order to provide an *understanding of changes in the School Board's financial position and operations. The columns do not present information* that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the individual statements since their inclusion would make the statements unduly complex and difficult to read. The total data, captioned "Memorandum Only", are the aggregate of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

(m) Management's Use of Estimates

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

(n) 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 $433,125. This amount was recognized as state revenue and a corresponding expenditure in the General Fund from which the salary was paid.

NOTE 3 - AD VALOREM AND SALES TAXES

Ad valorem taxes are collected by the City of New Orleans and remitted to the School Board on a periodic basis. Values are established by the Orleans Parish Assessors' Offices each year based on 10% of the assessed market value of residential property and commercial land and on 15% of the assessed market value of commercial buildings, public utilities and personal property.

Ad valorem taxes must be levied prior to January 1 of the assessment year, based on the assessed value as of the prior August 15. However, before taxes can be levied, the tax rolls must be submitted to the State Tax Commission for approval. Taxes are due and payable by January 1, which is the levy date and the date on which an enforceable lien attaches on the property. As of February 1, taxes become delinquent and interest and penalty accrue.

Ad valorem tax revenues are accrued at year-end to the extent that they are measurable and estimated to become available to finance current operations. Delinquent taxes considered to be uncollectible are not recorded as revenues. Such revenues are based on total tax levies less exempt taxes. Exempt taxes are principally due to exempt manufacturing plants under ten-year contracts and nonprofit organizations, and the general homestead exemption. A portion of exempt taxes due to homestead exemptions relating to constitutional special school taxes are reimbursed to the School Board through state revenue sharing.

Sales taxes are assessed and due on the first day of the month subsequent to the month of sale of any retail sales of goods used or consumed within Orleans Parish, including leases and rentals of movable tangible property. The rate of sales tax dedicated to the School Board is one and one-half percent. Revenues arising from the one percent sales tax authorized by the voters of Orleans Parish in 1966 are used exclusively for the payment of salaries of teachers and/or for the general operations of the school district.

The proceeds of the one-half percent sales tax, which was authorized in 1980, are used for the payment of salaries of teachers and other educational employees of the School Board, for the expenses of maintaining and operating schools and for providing funds to pay for capital improvements.

Sales taxes which remain uncollected on the twenty-first day of the month due are classified as delinquent. Sales tax payments are collected by the City of New Orleans and the State of Louisiana and are remitted semi-monthly to the School Board.

NOTE 4 - DUE TO/FROM OTHER GOVERNMENTS

Amounts due from other governments consist of receivables for reimbursement of expenditures under various Federal and state programs and grants. All amounts are expected to be collected within the next twelve months. Amounts due to other governments consist primarily of payables for services rendered.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in general fixed assets for fiscal 1998 is as follows:

TYPE	BALANCE JULY 1, 1997	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1998
Land	$ 29,541,280	$ --	$ 355	$ 29,540,925
Buildings &	347,158,126	1,960,282	--	349,118,408
Furniture & Equipment	49,627,539	4,077,066	2,769,832	50,934,773
Vehicles	12,057,264	47,216	2,784,904	9,319,576
Construction in Progress	4,083,049	9,363,246	2,680,788	10,765,507
TOTAL	$442,467,258	$15,447,810	$8,235,879	$449,679,189

Construction in progress as of June 30, 1998 is composed of the following:

SCHOOL/FACILITY	PROJECT AUTHORIZATION	EXPENDED AS OF JUNE 30, 1998	BALANCE COMMITTED
CAPITAL PROJECTS FUND #'s 1, 3, 4			
HARNEY	$ 3,465,000	$ 419,190	$ 3,045,810
LAWLESS SENIOR	400,000	25,980	374,020
PAN AMERICAN	63,912	43,402	20,510
VARIOUS	579,500	178,226	401,274
SUBTOTAL	4,508,412	666,798	3,841,614
CAPITAL PROJECTS FUND #2			
ABRAMS	132,863	—	132,863
ABRAMSON	3,284,038	107,229	3,176,809
ALLEN	2,433,039	9,022	2,424,017
AREA I SCHOOLS	528,000	—	528,000
AREA II SCHOOLS	480,000	—	480,000
AREA III SCHOOLS	504,000	—	504,000
ARMSTRONG	1,232,660	—	1,232,660
AUDUBON	363,525	—	363,525
AUGUSTINE	1,284,382	60,252	1,224,130
BANKS	1,319,196	—	1,319,196
BAUDUIT	1,288,299	—	1,288,299
BEHRMAN	4,027,073	—	4,027,073
BELL	2,934,044	5,200	2,928,844
BETHUNE	1,572,663	657	1,572,006
BIENVILLE	681,921	61,626	620,295
BRADLEY	912,530	—	912,530
CAPDAU	824,403	10,764	813,639
CARVER	7,219,510	508,443	6,711,067
CENTRAL SERVICES	570,552	—	570,552
CHESTER	640,404	48,097	592,307
CLARK	3,204,321	51,460	3,204,321
COGHILL	650,942	83,969	566,973
COHEN	953,034	136,866	816,168
COLTON	2,924,661	—	2,924,661
CRAIG	1,886,150	—	1,886,150
CROCKER	179,040	138,745	40,295
CROSSMAN	350,994	—	350,994
DANNEEL	57,600	53,765	3,835
DANNEEL VOCATIONAL	462,232	—	462,232
DIBERT	1,293,675	—	1,293,675
DISTRICTWIDE	13,288,168	1,355,119	11,933,049
DOUGLASS	2,786,100	9,847	2,776,253
DREW ELEMENTARY	2,563,761	28,604	2,535,157
DUNBAR	89,265	—	89,265
EASTON	3,047,375	242,594	2,804,781
EDISON	690,687	—	690,687
EDWARDS	69,120	51,387	17,733
EISENHOWER	651,660	—	651, 660

SCHOOL/FACILITY	PROJECT AUTHORIZATION	EXPENDED AS OF JUNE 30, 1998	BALANCE COMMITTED
FISCHER	1,238,394	37,720	1,200,674
FISK-HOWARD	342,739	88,156	254,583
FORTIER	3,311,271	22,042	3,289,229
FRANKLIN ELEMENTARY	330,465	10,577	319,888
FRANKLIN SENIOR	132,863	—	132,863
FRANTZ	397,034	—	397,034
GAUDET	356,146	120,730	235,416
GENTILLY TERRACE	132,863	—	132,863
GORDON	443,907	—	443,907
GREEN	1,050,647	—	1,050,647
GREGORY	1,925,437	102,926	1,822,511
GUSTE	1,152,343	—	1,152,343
HABANS	967,053	—	967,053
HALEY	197,668	—	197,668
HANSBERRY	1,784,073	—	1,784,073
HARDIN	513,511	7,952	505,559
HARNEY	2,456,369	—	2,456,369
HENDERSON	572,441	—	572,441
HOFFMAN	706,809	4,100	702,709
HUGHES	951,153	3,578	947,575
HYNES	1,632,311	1,280,044	352,267
JACKSON, ANDREW	701,669	—	701,669
JACKSON, MAHALIA	578,651	3,466	575,185
JEFF	456,051	—	456,051
JOHNSON	383,949	81,528	302,421
JONES	2,360,233	15,539	2,344,694
JORDAN	323,401	—	323,401
KARR	1,574,488	874,954	699,534
KENNEDY	1,849,998	1,642	1,848,356
KOHN	288,000	—	288,000
LAFAYETTE	2,022,618	3,920	2,018,698
LAFON	520,860	76,935	443,925
LAKE FOREST	144,000	5,824	138,176
LANDRY	2,215,016	—	2,215,016
LAUREL	893,329	—	893,329
LAWLESS	1,191,670	—	1,191,670
LEWIS	2,187,294	—	2,187,294
LITTLE WOODS	430,377	81,377	349,000
LIVE OAK	611,898	9,455	602,443
LIVINGSTON	295,516	76,470	219,046
LOCKETT	109,008	—	109,008
LUSHER	1,381,647	—	1,329,004
MARSHALL	506,939	—	506,939
MCDONOGH SENIOR	3,156,056	207,716	2,948,340
MCDONOGH #7	2,486,400	994,577	1,491,823
MCDONOGH #24	1,094,870	3,716	1,091,154
MCDONOGH #28	927,096	95,866	831,230
MCDONOGH #32	494,880	94,087	400,793
MCDONOGH #35	998,128	174,811	823,317
MCDONOGH #39	806,640	80,398	726,242
MCDONOGH #42	884,737	—	884,737
MCMAIN	695,765	411	695,354
MCNAIR	920,307	—	920,307

ORLEANS PARISH SCHOOL BOARD

Notes to General Purpose Financial Statements

June 30, 1998

SCHOOL/FACILITY	PROJECT AUTHORIZATION	EXPENDED AS OF JUNE 30, 1998	BALANCE COMMITTED
MONDY	379,029	—	379,029
MORIAL	700,024	129,913	570,111
NEW ORLEANS FREE	821,810	—	821,810
N.O.C.E.A	453,882	—	453,882
N.O.C.H.C.	467,850	—	467,850
NOBLE	238,593	18,422	220,171
OSBORNE	271,806	102,015	169,791
PARKVIEW	894,631	65,827	828,804
PHILLIPS JUNIOR	1,175,219	69,716	1,105,503
RABOUIN	2,699,450	3,500	2,695,950
REED	135,174	69,510	65,664
ROSENWALD	608,849	—	608,849
SCHAUMBURG	5,684,683	63,667	5,621,016
SEABROOK	134,532	—	134,532
SHAW	656,582	—	656,582
SHERWOOD FOREST	652,831	88,910	563,921
TERRELL	220,706	—	220,706
TIMBERS	1,061,358	5,470	1,055,888
TUBMAN	746,831	222,633	524,198
TUBMAN ANNEX	66,048	40,410	25,638
TUREAUD	2,165,257	8,273	2,156,984
VILLAGE DE L'EST	192,000	7,863	184,137
WALKER	1,132,473	9,320	1,123,153
WASHINGTON SENIOR	2,273,125	15,002	2,258,123
WATERS	640,874	111,175	529,699
WHEATLEY	596,840	48,423	548,417
WILLIAMS ELEMENTARY	751,137	113,190	637,947
WILLIAMS MIDDLE	177,445	—	177,445
WILSON	1,709,178	6,006	1,703,172
WOODSON	2,416,339	409,546	2,006,793
WRIGHT	2,826,736	10,692	2,816,044
SUBTOTAL	154,420,167	9,196,289	145,223,878
CAPITAL PROJECTS FUND #5			
COLTON	31,899	12,759	19,140
LAWLESS ELEMENTARY	61,015	43,465	17,550
MCDONOGH SENIOR	319,110	235,690	83,420
MCDONOGH #7	170,488	112,094	58,394
SCHWARZ	60,000	2,800	57,200
VARIOUS	515,025	174,985	340,040
WASHINGTON, B.T.	369,792	320,627	49,165
WICKER	22,000	–	22,000
SUBTOTAL	1,549,329	902,420	646,909
GRAND TOTAL	$160,477,908	$10,765,507	$149,712,401

NOTE 6 - LONG-TERM DEBT

(a) Bonds Payable

A summary of the fiscal 1998 bonds payable including interest rates, maturity, interest expense and June 30, 1998 balance is as follows:

BONDS PAYABLE	RANGE OF INTEREST IN REMAINING YEARS	FINAL MATURITY	INTEREST EXPENSE FOR 1997-98	BALANCE AS OF JUNE 30, 1998
General Obligation Bonds:				
Series 1995 - Issued 12/05/95	4.5 - 5.375%	09/01/18	$ 2,015,170	$ 27,860,000
Series 1996 - Issued 02/20/96	4.5 - 7.5%	09/01/20	1,888,550	35,000,000
Series 1997 - Issued 04/08/97	4.9 - 7.0%	09/01/21	1,912,781	35,000,000
Series 1997A - Issued 12/18/97	5.0 - 7.0%	09/01/21	463,164	35,000,000
Series 1998A - Issued 03/09/98	4.65 - 7.375%	09/01/22	---	35,000,000
Lease Revenue Bonds (Energy Retrofit				
Series 1996 - Issued 04/01/96	4.352 - 5.65%	06/15/11	555,229	10,295,000
Refunding Bonds:				
Series 1987 - Issued 12/16/87	7.8%	02/01/99	706,950	5,095,000
Series 1991 - Issued 12/19/91	6.262 - 7.65%	02/01/15	--	26,150,518
Series 1995 - Issued 10/19/95	4.2 - 6.0%	06/01/09	1,405,308	26,135,000
Series 1995 A&B - Issued 12/14/95	5.2 - 6.65%	02/01/14		121,785,000
Series 1998 - Issued 03/09/98	3.65 - 5.50%	09/01/20	___	8,155,000
TOTAL			$16,518,570	$365,475,518

General Obligation Bonds are backed by the full faith, credit and taxing power of the School Board. The Lease Revenue and Refunding Bonds are special limited School Board obligations payable from and secured by a pledge of and lien on ad valorem, sales taxes, and revenue sharing income. The bonds do not constitute an indebtedness or pledge of the general credit of the School Board.

All of the bonds and notes payable by the School Board are recorded in the General Long-term Obligations Account Group and are serviced by the Debt Service Funds with revenues as described below.

General Obligation Bonds

All five (5) series of General Obligation Bonds for $35 million each have been issued: Series 1995, dated October 1, 1995, Series 1996, dated March 1, 1996, Series 1997, dated March 1, 1997, Series 1997A dated December 1, 1997 *and Series 1998 dated March 1, 1998. These bonds were insured and are payable from: (1) the annual levy and* collection of an unlimited ad valorem tax on all taxable properties; (2) interest earned on net bond proceeds and debt service assets; and (3) revenues collected by the Educational Trust Fund District, as described on the following page.

However, for fiscal 1998, based upon the adequacy of Debt Service Retained Earnings, as determined by a forecast of revenues that assumed a 0% growth rate in property assessments, the School Board transferred $4 million of Retained Earnings and allocated $2 million of current year roll forward revenues previously dedicated to the Debt Service Fund.

These funds were allocated equally to the General Fund for restroom renovations and other expenses and to the Capital Projects Fund for escalated costs of CIP III projects. Also, on March 9, 1998, $8.155 million of the Series 1998 bonds were refinanced, as described under Refunding Bonds on page 30.

The purpose of the General Obligation Bonds is to provide monies: to improve land for building sites and playgrounds, including construction of necessary sidewalks and streets; to improve school buildings and other related facilities by acquiring necessary equipment and furnishings therefor; and to complete those projects set forth in Capital Improvements Program III.

The Educational Trust Fund District (Trust Fund) is governed by the Board members of the School Board and serves as a conduit for the collection of specific revenues supporting the debt service requirements of the General Obligation Bonds. The Trust Fund is to collect any and all ad valorem property taxes levied and collected on property used for any permanent or temporary land-based casino gaming establishment or on any riverboat and its licensed berth (except for specific taxes levied by the city or downtown development district) for the purpose of repairing, upgrading, improving and acquiring property and the construction of school buildings and related structures, improvements, and constructions owned and operated by the School Board.

A cooperative endeavor agreement entered into on November 6, 1995, established the payment by the land-based casino of a minimum $2,000,000 for the benefit and use of the School Board. During fiscal years' 1995, 1996, and 1997, $3,108,000 was received by the Trust Fund and paid to the School Board. Because the Trust Fund (1) will have no assets, (2) is governed by the Board of the School Board, and (3) will have all its activities included in the financial statement of the School Board, separate presentation of the Trust Fund as a component unit or separate entity is not considered necessary.

Lease Revenue Bonds

On April 1, 1996, the Louisiana Public Facilities Authority (LPFA) issued $11,175,000 Lease Revenue Bonds (Orleans Parish School Board Energy Retrofit Project), Series 1996. The bonds are limited and special obligations of the LPFA and are secured by a Trust Indenture, dated April 1, 1996.

The LPFA has used the proceeds from the sale of the bonds to: (1) purchase from the School Board certain energy retrofit improvements and equipment for all public school buildings of the School Board (hereinafter referred to as the "Project"); (2) fund a reserve fund; and (3) pay the cost of issuance of the bonds, including bond insurance premium. As the improvements and equipment were acquired and installed, the School Board sold the Project to the LPFA and the LPFA concurrently leased the Project to the School Board through a Lease Agreement, dated April 1, 1996, under which the School Board is obligated to annually appropriate funds in an amount sufficient to pay the principal of and interest on the Bonds, as well as other payment obligations, including the Reserve Fund Requirement (as defined in the Indenture), as payments become due.

The Project has used the bonds proceeds and the Lease Agreement to implement certain replacement, retrofit and/or upgrade improvements to one hundred twenty-one (121) public school buildings of the School Board and is designed to reduce operating and maintenance expenses. The improvements to the School Board's existing facilities fall into four (4) major categories, as follows: (1) Energy Management; (2) Heating, Ventilation and Air Conditioning Systems; (3) Lighting Systems; and (4) Water Conservation Measures.

In the event the School Board fails to make any rental payment under the Lease Agreement, pursuant to a Withholding Agreement, the Trustee is authorized to notify the State Treasurer, who will then withhold the School Board's allocation of State Revenue Sharing Funds in the amount equal to any deficiency not paid as required under the Lease Agreement.

Refunding Bonds

$127,695,000 Public School Refunding Bonds, Series 1987, dated December 1, 1987, and partially refinanced by $101,243,097 1990 Refunding Bonds - The purpose of these bonds was to refund Public School Refunding Bonds, Series 1985, and Public School Sales and Use Tax Bond, Series 1985. The bonds are insured and payable from one-half of one percent sales and use tax (the "Dedicated Sales Tax") and ad valorem taxes (27.65 mills or the "Constitutional Millage") authorized to be levied by the State Constitution.

$121,698,366 Public School Refunding Bonds, Series 1991, dated December 1, 1991, partially refunded by the Series 1995 A and B Bonds described below - The purpose of these bonds was to refund the Public School Refunding Bonds, Series 1990. The bonds are insured and are payable from the Dedicated Sales Tax and the Constitutional Millage.

$27,920,000 Public School Capital Refunding Bonds, Series 1995, dated October 1, 1995 - The purpose of these bonds is to advance refund $27,150,000 of Public School Capital Funding Bonds, Series 1989A, dated June 1, 1989, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from the Purpose D Millage tax, three mills, prior to the roll-forward described above under General Obligation Bonds, subject to a prior and superior pledge in favor of the owners of the School Board's Refunding Bonds, Series 1987.

The $34,435,000 Series 1989A bonds were issued on June 1, 1989 and designated "Purpose D Bonds." The Purpose D Bonds were issued: (1) to recover the costs of certain expenditures in order to provide funds for the maintenance of capital facilities, including the removal of asbestos and other health hazards and/ or installation of climate control machinery such as air conditioning in existing classroom facilities; and (2) to pay issuance costs.

Remaining renovation funds currently held are included in the School Board's balance sheet as part of the Capital Projects Funds in Capital Fund #5.

$98,970,000 (1995A) and $22,815,000 (1995B) Public School Capital Refunding Bonds, Series 1995A Taxable and 1995B Tax-Exempt, dated December 1, 1995 - The purpose of these bonds was to redeem $105,038,118 principal plus interest of $8,866,381 on the Capital Appreciation Bonds of the Public School Refunding Bonds, Series 1991, which were subsequently called and are no longer outstanding.

The bonds are insured and are payable from: (1) Dedicated Sales Tax and (2) Constitutional Millage, subject to a prior and superior pledge of the tax in favor of the owners of the School Board's outstanding Refunding bonds, Series 1995. These bonds partially refunded the Capital Appreciation Bonds.

$8,155,000 Public School Refunding Bonds, Series 1998B, dated March 9, 1998. In March 1998, the School Board issued these bonds for the purpose of providing funds to purchase 1) $3.5 million of bonds issued in December 1995 and maturing in September 2019 and 2) $3.7 million of bonds issued in December 1995 and maturing in September 2020. The Refunding Bonds were issued to reduce the annual debt service of the School Board General Obligation Bonds and to produce a present value savings of $859,000, about $60,000 annually.

(b) Defeased Bonds

In August, 1985, the School Board entered into an advance refunding transaction to effect retirement of the School Board's obligations with respect to the 1952 through 1968 bonds outstanding, at June 30, 1985. At June 30, 1998, the remaining bonds outstanding consist of the 1962 through 1968 bond issues, which are not included in the School Board's balance sheet, as they are considered defeased through the establishment of a fully funded escrow to pay debt service on such bonds until maturity, totaled $20,025,000. The 1985 bonds were subsequently refunded and called with the proceeds of the Series 1987 bonds, as described in the next paragraph.

In December, 1987, the School Board entered into a $127,695,000 (par) advance refunding transaction (Series 1987) for all of its outstanding bonds which consisted of $40,021,335 Public School Refunding Bonds, Series 1985, and $75,000,000 Public School Sales and Use Tax Bonds, Series 1985, for a total of $115,021,335. At June 30, 1998, the outstanding balance of these 1985 Bonds, which are not included in the School Board's balance sheet as they are considered defeased, totaled $108,645,000.

(c) Changes in Bonds Payable

BONDS PAYABLE	BALANCE AS OF JULY 1, 1997	ACCRETIONS/ ADDITIONS	REFUNDINGS/ RETIREMENTS	BALANCE AS OF JUNE 30, 1998
General Obligation Bonds				
Series 1995 - Issued 12/05/95	$35,000,000	$ -	$7,140,000	$27,860,000
Series 1996 - Issued 02/20/96	35,000,000	-	-	35,000,000
Series 1997 - Issued 04/08/97	35,000,000	-	-	35,000,000
Series 1997A - Issued 12/18/97	-	35,000,000	-	35,000,000
Series 1998A - Issued 03/09/98	-	35,000,000	-	35,000,000
Lease Revenue Bonds (Energy Retrofit Project)				
Series 1996 - Issued 04/01/96	10,800,000	-	505,000	10,295,000
Refunding Bonds				
Series 1987 - Issued 12/16/87	9,115,000	-	4,020,000	5,095,000
Series 1991 - Issued 12/19/91	24,376,591	1,773,927	-	26,150,518
Series 1995 - Issued 10/19/95	27,920,000	-	1,785,000	26,135,000
Series 1995 A&B - Issued 12/14/95	121,785,000	-	-	121,785,000
Series 1998B - Issued 03/09/98	-	8,155,000	-	8,155,000
Total Bonds Payable	$298,996,591	$79,928,927	$13,450,000	$365,475,518

Included in the 1991 Refunding Bonds Payable is the cumulative accreted interest of $9,626,786 on the 1991 Capital Appreciation Bonds.

(d) Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The School Board is in compliance with all significant covenants.

(e) Bonds Authorized and Unissued

On July 15, 1995, the voters of Orleans Parish, in a bond referendum, authorized the School Board to issue $175,000,000 of general obligation bonds. As of June 30, 1998, all bonds have been issued.

As of June 30, 1998, the statutory debt limit for general obligation bonds was $676,563,097 and the net legal debt margin was $501,563,097. There was $16,668,828 available in the Debt Service Fund to pay debt service requirements on the general obligation bonds outstanding at June 30, 1998.

(f) Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at June 30, 1998, excluding accrued compensated absences, EPA loans payable and the outstanding certificate of indebtedness (see Note 6(g)), are summarized below:

	GENERAL OBLIGATION BONDS		LEASE REVENUE ENERGY RETROFIT BONDS	
YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
1999	$ 800,000	$ 8,941,953	$ 530,000	$ 534,019
2000	2,430,000	8,840,840	550,000	510,964
2001	3,340,000	8,674,518	575,000	486,214
2002	3,525,000	8,472,076	600,000	459,476
2003	3,720,000	8,251,036	630,000	430,976
2004 - 2008	23,465,000	37,315,764	3,655,000	1,652,189
2009- 2013	38,335,000	29,034,620	3,755,000	489,855
2014 - 2018	50,900,000	17,634,227	–	–
2019 - 2023	41,345,000	4,285,116	–	–
TOTAL	$167,860,000	$131,450,150	$10,295,000	$4,563,693

	REFUNDING BONDS		TOTAL - ALL BONDS	
YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
1999	$ 6,970,000	$ 9,692,558	$ 8,300,000	$ 19,168,530
2000	8,045,000	9,212,974	11,025,000	18,564,778
2001	10,060,000	8,760,732	13,975,000	17,921,464
2002	10,635,000	8,182,896	14,760,000	17,114,448
2003	10,130,000	7,560,939	14,480,000	16,242,951
2004 - 2008	67,070,000	26,744,473	94,190,000	65,712,426
2009 - 2013	49,334,523	46,345,223	91,424,523	75,869,698
2014 - 2018	8,144,208	15,383,127	59,044,208	33,017,354
2019 - 2023	7,305,000	801,575	48,650,000	5,086,691
TOTAL	$177,693,731	$132,684,497	$355,848,731	$268,698,340

The accreted interest of $9,626,787 for Capital Appreciation Bonds is included in the interest column of the Refunding Bonds table above and is included in Bonds Payable in the General Long-term Obligations Account Group. The Series 1987, Series 1991 and Series 1995 A and B Refunding Bonds have debt service requirements for monthly deposits of one-sixth (1/6) of the next interest payment due and one-twelfth (1/12) of the annual principal payments.

(g) Other Long-term Obligations

The following is a summary of changes in other long-term obligations for the 1998 fiscal year:

LONG-TERM OBLIGATION	BALANCE AS OF JULY 1, 1997	ADDITIONS	RETIREMENTS	BALANCE AS OF JUNE 30, 1998
Accrued Compensated Absences [Note	$ 12,403,453	$ 786,172	$ --	$13,189,625
Liability for Claims Payable/Self-insured Losses (Note 10)	21,445,191	32,268,543	4,200,000	49,513,734
Other Long-term Obligations Payable:				
EPA Loans	4,157,193	--	339,566	3,817,627
Certificate of Indebtedness	625,000	--	55,000	570,000
Capital Lease (Note 7)	1,569,186	189,292	951,881	806,597
Subtotal	6,351,379	189,292	1,346,447	5,194,224
TOTAL	$40,200,023	$29,200,177	$5,546,447	$63,853,753

EPA Loans

Approval has been obtained from the State Bond Commission to issue promissory notes on an interest-free basis and repayable over a twenty-year period. Proceeds from the notes finance the removal of asbestos from certain school buildings. The notes, issued to the U.S. Environmental Protection Agency (EPA), are recorded in Capital Fund #1 and are secured by and payable from the revenues accruing to the School Board. Of the $6,112,185 of authorized notes that had been advanced to the School Board, a remaining balance of $3,817,627 is still outstanding and owed at year-end.

Principal payments on EPA loans totaled $339,566 for fiscal 1998. Semi-annual principal payments are made on the loans which have terms expiring in 2004, 2009, 2010, 2012 and 2013.

Future annual payment on the EPA loans are as follows:

YEAR ENDING JUNE 30	AMOUNT
1999	$ 339,566
2000	339,566
2001	339,566
2002	339,566
2003	334,544
2004 - 2008	1,338,449
2009 - 2013	786,370
	$ 3,817,627

Certificate of Indebtedness

On April 22, 1996, the School Board issued a $675,000 Certificate of Indebtedness, Series 1996. Recorded in Capital Fund #1, these funds were used to finance improvements and an addition to Jean Gordon Elementary School. Sections 2921 to 2925 inclusive of Title 33 of the Louisiana Revised Statutes of 1950 authorize the School Board to enter into contracts dedicating the excess of annual revenues of subsequent years to pay for the cost of public improvements. The loan is for a period of ten (10) years at a fixed interest rate of 6.24%.
Debt Service requirements on the financing are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
1999	$ 55,000	$ 35,568	$ 90,568
2000	60,000	32,136	92,136
2001	65,000	28,392	93,392
2002	70,000	24,336	94,336
2003	75,000	19,968	94,968
2004 - 2006	245,000	30,888	275,888
	$ 570,000	$ 171,288	$ 741,288

Short-term Financing

On December 11, 1997, the School Board, in order to fund operations, used short-term financing from the Louisiana Public Finance Authority (LPFA) totaling $14,000,000. Interest cost of $248,827 was incurred on this loan which was repaid on June 1, 1998.

NOTE 7 - LEASE OBLIGATIONS

Capital Lease

On June 13, 1993, the New Orleans Public Schools entered into a six-year municipal lease and option agreement to refinance two leases which provided for a total of 225 buses and security systems upgrade. Similar to the previous municipal leases, the agreement qualifies as a capital lease under Financial Accounting Standards Board Statement 13.

The terms of this lease include remaining quarterly payments of $208,819 through July 1999 with an annual interest rate of 5.65 percent. As a municipal lease, under the laws of the State of Louisiana, the agreement includes a funding out "non-appropriation" clause which permits cancellation of the lease agreement in the event sufficient funds are not appropriated for any fiscal year during the life of the agreement.

The capitalized lease obligations for the lease-purchase for the school buses are accounted for in the General Long-term Obligations Account Group and General Fixed Assets Account Group.

Future minimum payments under the capitalized lease consist of the following at June 30, 1998:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
1999	$806,597	$ 28,683	$835,280

The interest expenditure for the outstanding obligation under the capital lease above was $72,691 for fiscal 1998.

Operating Leases

The School Board has a number of operating leases for land, buildings and equipment used for schools and administrative centers. For these leases, the School Board has, as of June 30, 1998, contractual agreements requiring the following annual rental payments:

FISCAL YEAR ENDING JUNE 30	AMOUNT
1999	$ 2,727,882
2000	1,783,093
2001	1,559,343
2002	483,935
2003	285,290
Later years	1,256,333

Rental expenditures under operating leases for facilities for the current year amounted to $1,212,112

NOTE 8 - RETIREMENT PLANS

Substantially all employees of the School Board are members of two statewide retirement systems. In general, professional employees (such as teachers and principals) and lunchroom workers are members of the Teachers' Retirement System of Louisiana (TRSL); other employees, such as custodial personnel and bus drivers are members of the Louisiana School Employees' Retirement System (LSERS). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information, as required by the GASB Statement No. 27, relative to each plan follows:

(a) Teachers' Retirement System of Louisiana (TRSL)

Plan Description: The School Board participates in two membership plans of TRSL, the Regular Plan and Plan A. TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirements benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by the state statute.

TRSL issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

Funding Policy: Plan members are required to contribute 8.0 percent and 5.1 percent of their annual covered salary for the Regular Plan and Plan A, respectively. The School Board is required to contribute at an actuarially determined rate. The current rate is 16.4 percent of annual covered payroll for both membership plans. Member contributions and employer contributions for TRSL are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's employer contribution to TRSL, as provided by the 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.

The School Board's contributions to TRSL for the years ended June 30, 1998, 1997 and 1996, were $35,582,085, 30,626,626, and $30,010,779, respectively, in accordance with the actuarially determined rate.

(b) Louisiana School Employees' Retirement System (LSERS)

Plan Description: LSERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute.

LSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804, or by calling (225) 925-6484.

Funding Policy: Plan members are required to contribute 6.35 percent of their annual covered salary and the School Board is required to contribute at an actuarially determined rate. The current rate is 6.00 percent of annual covered payroll. Member contributions and employer contributions for LSERS are established by state law and rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's employer contributions for LSERS are funded by the State of Louisiana through annual appropriations and by remittances from the School Board.

The School Board's contributions to LSERS for the years ended June 30, 1998, 1997 and 1996 were $1,448,589, $1,432,906, and $1,401,035, respectively, in accordance with the actuarially determined rate.

(c) Other Retirement Benefits

As required by state statutes, the School Board must provide certain health care and life insurance benefits to retired employees. This future liability is not funded but will be payable by the General Fund out of future years' operations. Substantially all of the School Board's employees may become eligible for such benefits upon reaching retirement age.

Except for one-half of the dependent coverage, no contributions are required by the retirees to help finance these future benefits and at the present time, a maximum of one-half of the premiums are paid by the State of Louisiana. It is not known whether the State of Louisiana will continue, and if so, at what level, its funding of one-half of the future premiums for the retirees and their dependents.

Health care coverage for eligible retirees is available under the fully insured health plan. Both the School Board and the retiree contribute a scheduled amount to the plan. Expenses are recognized when the fund liability is incurred for premiums and claims. For fiscal 1998, premiums to provide retiree health care and life insurance benefits, jointly shared between the School Board and the approximately 1,998 participating retirees, were $4,195,986.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) Claims

The School Board is a defendant in a number of lawsuits arising principally in the normal course of operations. Provision for losses for these lawsuits has been recorded on the financial statements, principally in Long-Term Debt Obligations. Included in this provision is an amount to cover the U.S. Federal Court judgement on October 19 (See Notes 9(c) and 12). In the opinion of the School Board, the outcome of these lawsuits will not have a material adverse effect on the financial statements and, accordingly, no additional provision for losses has been recorded for these lawsuits, except as reported in the financial statements.

(b) Labor Contracts

During August, 1997, School Board Representatives and the United Teachers of New Orleans (UTNO) - the teachers', clericals' and paraprofessionals' collective bargaining agent, reached agreement on a new three-year contract, which was approved by the union members. Retroactive to July 1, 1997, the agreement was approved by the School Board on August 11, 1997. The pact includes: 1) $330 raise for teachers and one additional paid workday; 2) a $150 raise for paraprofessionals and clerical staff; 3) an additional salary increase of 4% in 1998-1999 and 1999-2000 which is contingent upon voter approval of additional revenue; and 4) an increase in the UTNO Health and Welfare Fund contribution from $750 to $766 per member. Items 1) and 2) were implemented during fiscal 1998. On May 5, 1998, a referendum for the 4% salary increase failed by 55 votes. Additionally, on December 5, 1998 a joint referendum with the City of New Orleans, based on a property service fee, was unsuccessful.

(c) Federal Financial Assistance Programs

The School Board participates in a number of federal financial assistance programs. Although the grant programs have been audited through June 30, 1998, in accordance with the Single Audit Act Amendments of 1996, these programs are subject to financial and compliance audits and resolution of identified questioned costs.

The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. Certain costs, approximately $2.3 million for the fiscal years 1992 - 1996, related to unemployment compensation expense charged to federal programs have been questioned by the U.S. Department of Education in an audit report.

Concurrently, the School Board has identified costs which it believes should have been billed to the federal government. A final determination has not yet been issued. The School Board believed and continues to believe, based upon its reliance upon its advisors, that these charges have been proper and in good faith, and is negotiating a settlement with the U.S. Department of Education.

Another matter is interrelated to the issue described in the preceding paragraph. In response to disciplinary action, two individuals/relators (one an employee who had been placed on administrative leave and the other an employee who had been terminated), filed suit in 1996 against the School Board under the False Claims Act, on behalf of the federal government and themselves. The lawsuit included allegations that the School Board overcharged the federal government for unemployment and workers' compensation for the years 1987 - 1997, for reimbursement claims filed for federally funded programs operated by the School Board with grants received through the Louisiana Department of Education.

On October 19, 1998, based upon a jury verdict against the School Board, the U.S. District Court, Eastern District, Louisiana, awarded approximately $30.7 million to the federal government and the relators. The School Board and its attorneys have publicly stated that the jury verdict is incorrect. The School Board is seeking a new trial. If unsuccessful, the School Board plans an appeal to the U.S. Fifth Circuit Court of Appeals.

(d) Arbitrage

Federal government regulations provide generally that interest income generated from investment of bond proceeds of a state or local government are exempt from federal income tax unless the bonds are "arbitrage bonds". Such bonds are generally defined as bonds the proceeds of which are invested at a yield higher than the bond yield. The regulations require that any profit, or "arbitrage", earned must be rebated to the Federal government at least once every five years.

At June 30, 1998, the Orleans Parish School Board had an immaterial contingent liability. The actual amount due as of the next required rebate installment payment date is subject to change due to bond and investment activity occurring after June 30, 1998. The required rebate installment payment must be paid no later than 60 days after March 20, 2001.

NOTE 10 - RISK MANAGEMENT

The School Board accounts for its insurance programs within the General Fund and the Insurance Funds. The primary programs under the Insurance Funds are summarized in Note 2(a).

Changes in the Insurance Funds' claims liability amount were as follows:

FISCAL YEAR	BEGINNING OF FISCAL YEAR LIABILITY	CURRENT YEAR CLAIMS & CHANGES IN ESTIMATES	CLAIM PAYMENTS AND OTHER REDUCTIONS	BALANCE AT FISCAL YEAR-END
1993-1994	$10,125,771	$37,989,494	$25,937,071	$22,178,194
1994-1995	22,178,194	10,824,400	10,969,858	22,032,736
1995-1996	22,032,736	7,701,236	3,465,735	26,268,237
1996-1997	26,268,237	2,585,410	23,021,245	5,832,402
1997-1998	5,832,402	2,496,523	4,834,717	3,494,208

Included in the above claims liability of $3,494,208 are health claims of $1,372,546, and the workers' compensation claims of $2,121,662.

Effective July 1, 1996, the School Board discontinued the use of the Internal Service Fund to account for and finance litigated claims. This resulted in a residual equity transfer through a reduction in the claims payable/provision for claims payable in the Other Insurance Fund, an increase in the Long-term Obligations Account Group and a transfer of most of the net assets of the Other Insurance Fund to the General Fund.

During fiscal 1998, the School Board began reporting nonligitated clams in the General Fund. Accordingly, $2,242,691 of claims and related accounts were transferred to the General Fund, with no resulting impact upon fund balance for either fund.

During fiscal 1998, the School Board received $950,000 as a settlement of the lawsuit against the actuarial firm that had served as an advisor for its self-insured Health Insurance Fund. The Health Insurance Fund experienced significant deficits for fiscal 1994 and 1995, which were liquidated by transfers from the General Fund. Since the Health Insurance Fund has a surplus, the settlement proceeds were transferred to the General Fund. The School Board implemented a fully indemnified health plan in September 1994.

NOTE 11 - INDIVIDUAL FUND DISCLOSURES

(a) Interfund Receivables and Payables (Due from/to other funds)

A summary of the transfers by fund for the year ended June 30, 1998 is as follows:

FUND	INTERFUND RECEIVABLES	TOTAL INTERFUND RECEIVABLES	INTERFUND PAYABLES	TOTAL INTERFUND PAYABLES
General		$23,809,030		$19,451,044
Special Revenue:				
Improving America's School Act Funds	$ —		$6,605,313	
Individuals with Disabilities Education Act Funds	—		211,902	
Other Federal Funds	76,214		2,540,295	
State and Local Funds	125,950		5,748,043	
Child Nutrition	—		6,302	
Total Special Revenue		202,164		15,111,855
Debt Service:				
Refunding Bonds, Series 1991	2,300,069		—	
Refunding Bonds, Series 1995	792,000		—	
General Obligation Bonds	3,256,143		—	
Gordon School Loan	32		—	
Total Debt Service Fund		6,348,244		
Capital Projects Funds:				
#1	1,037,367		58,253	
#2	6,128		5,613,301	
#3	—		25,835	
#4	—		1,416	
#5	—		429,459	
Total Capital Projects		1,043,495		6,128,264
Proprietary:				
Health Insurance	3,331,997		—	
Life, Dental and Optical Insurance	2,112,634		—	
Workers' Compensation Insurance	4,550,177		—	
Other Insurance	1,855,020		30,000	
Print Shop	2,863		—	
Total Proprietary Funds		11,852,691		30,000
Fiduciary:				
Nonexpendable Trusts	4,450		—	
Agency - Payroll Withholding	—		2,538,911	
Total Fiduciary		4,450		2,538,911
TOTAL ALL FUNDS		$43,260,074		$43,260,074

(b) Transfers

A summary of the transfers by fund for the year ended June 30, 1998 is as follows:

FUND	TRANSFERS IN	TOTAL TRANSFERS IN	TRANSFERS OUT	TOTAL TRANSFERS OUT
OPERATING:				
General		$ 1,956,597		$18,541,711
Special Revenue:				
Other Federal Funds	$ 1,772		$ —	
State and Local Funds	148,959		6,597	
Child Nutrition	1,007,156		—	
Total Special Revenue		1,157,887		6,597
Debt Service:				
Refunding Bonds, Series 1987	5,164,561		—	
Refunding Bonds, Series 1991	—		1,031,747	
Refunding Bonds, Series 1995	11,509,173		—	
Energy Retrofit Project Bonds, Series 1996	977,621		—	
General Obligation Bonds	6,036,559		4,000,000	
Gordon School Loan	56,000		—	
EPA Loans	339,566		—	
Total Debt Service		24,083,480		5,031,747
Capital Projects Funds:				
#1	—		82	
#2	3,000,000		5,851,691	
#5	—		427,000	
Total Capital Projects		3,000,000		6,278,773
Proprietary:				
Health Insurance	—		950,000	
Workers' Compensation Insurance	600,000			
Print Shop	10,864		—	
Total Proprietary Funds		610,864		950,000
TOTAL OPERATING TRANSFERS		$30,808,828		$30,808,828

(c) Expenditures in Excess of Appropriations

For fiscal 1998, the Child Nutrition Fund expended $28,670,305 versus a budgeted amount of $27,670,353. All but $360,379 of the over expenditure was offset by the combination of increased revenue and a transfer from the General Fund.

(d) Dedicated Millage Revenues, Expenditures and Changes in Unexpended Balances

A summary of the fiscal 1998 revenues, expenditures and changes in unexpended balances of the Dedicated Millage Purposes A, B & C as reported within the General Fund (Note 2(a) is as follows:

	PURPOSE A	PURPOSE B	PURPOSE C	TOTAL
Revenues				
Ad Valorem Taxes	$3,041,916	$3,041,916	$14,281,297	$20,365,129
Expenditures	—	—	—	—
Instructional - Regular	—	1,728,443	7,182,394	8,910,837
Instructional - Special	—	28,824	1,218,479	1,247,303
Support Services	—	—	—	—
Pupils	3,121,188	203,881	1,145,692	4,470,761
General Administration	—	—	475,805	475,805
School Administration	—	495,323	771,449	1,266,772
Business Administration	—	—	3,151,573	3,151,573
Total Expenditures	3,121,188	2,456,471	13,945,392	19,523,051
Excess (Deficiency) of Revenues Over Unexpended Balance at Beginning of Year	976,780	283,454	—	1,260,234
Unexpended Balance at End of Year	$ 897,508	$ 868,899	$ 335,905	$ 2,102,312

The unexpended balances for Purposes A, B and C are included in the designations for subsequent years' expenditures in the General Fund Unreserved Fund Balance.

Purpose D revenue prior to the 1995 roll-up is first used for debt service of the 1995 Capital Refunding Bonds; the remaining excess related to the rolled-up millage is dedicated to fund debt service requirements of the General Obligation Bonds. Purpose D ad valorem taxes are reported in the Debt Service and Capital Projects Fund Types. Total Purpose D revenues were $4,530,027 for fiscal year 1998.

NOTE 12 - SUBSEQUENT EVENTS

(a) Litigation Initiated by School Board

Because of the audit result and October 19, 1998 judgment mentioned in Note 9(c), the School Board has filed suit against its unemployment compensation administrator and its prior independent auditing firms, to recover any losses it may suffer as a result of these matters.

The School Board had relied upon the unemployment compensation administrator to set the rates charged for unemployment costs. When these charges were challenged by the internal auditors, the School Board's attorney retained the independent auditors to determine, through a consulting engagement, the validity of the internal auditors' allegations. The independent auditors stated in their report that the School Board's procedures and charges were reasonable and did not represent overcharges in violation of the False Claims Act. Further, as a result of filing suit against its independent auditors, the School Board has engaged other independent auditors to perform the audit of the financial statements for the year ended June 30, 1998.

(b) Certificates of Indebtedness

On February 10, 1999, the School Board issued $14,000,000 of insured Certificates of Indebtedness, dated February 1, 1999, through a negotiated sale.

(c) Amendment to Cooperative Endeavor Agreement

On March 8, 1999, based upon a joint forecast by staff and bond counsel that reflected that projected millage revenue will satisfy debt service requirements, the School Board amended its Cooperative Endeavor Agreement with the Educational Trust Fund District. The forecast includes a conservative assumption of a zero rate of growth in property assessments during the debt service payment term. The amendment authorizes: (1) a transfer of $3.1 million from the Fund Balance of the Debt Service Fund to the General Fund to provide resources for additional costs of the new computer system; (2) undedicates $2 million of revenue from the 1995 millage roll forward for each of fiscal years' 1999 and 2000 to be applied to the General Fund; and (3) authorizes the transfer of $3 million to the Capital Projects Fund for increased costs of CIP III Renovation Projects.

NOTE 13 - REQUIRED SUPPLEMENTARY INFORMATION

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. Retroactive application TB 99-1 is permitted. The School Board has elected to apply TB 99-1* retroactively for its 1998 general purpose financial statements, and to present the year 2000 disclosures as required supplementary information on page 44.

YEAR 2000 INFORMATION

The School Board has expended significant resources - through financing and staffing - to ensure a successful transition to new hardware and software which will avoid the potential problems that could result from the year 2000 computer problem.

In 1996, a consultant was chosen to assist the School Board in addressing replacement of aging hardware and software, as well as handle the year 2000 issue. The consultant steered the School Board through an inventory and assessment of the current hardware and software. Assistance was also provided in determining future informational needs through an extensive series of consultations with internal and external focus groups.

Through this process, it was determined that the application areas to be replaced included the student data, human resource/payroll and the financial information systems - essentially, the major School Board information systems. The evaluation also revealed that virtually all hardware and peripherals would have to be replaced. The consultant originally projected a funding requirement of $8 -10 million to complete the project.

Recently, the School Board selected its software vendors for the new system. Based upon the negotiated cost, as well as revised hardware cost estimates, the project cost was revised to $21 million. A financing application for up to$14million was authorized by the School Board and confirmation of this authorization was received from the Louisiana State Bond Commission. Through a public offering, $14 ,000,000 of Certificates of Indebtedness were sold on February 10, 1999. Most of the project cost will be spent in fiscal years 1999 and 2000, with debt service on the loan continuing for 7-10 years. To date, the School Board has appropriated $5 million of additional funding from the General Fund for the balance of estimated costs.

A detailed plan has been laid out by the software vendors. The plan includes testing and a study to determine the operating policies of the School Board that are to be carried over to the new systems. Start-up of the financial system and partial implementation of the human resource/payroll system are scheduled for July 1, 1999. The goal is to complete the student data system implementation by August 1999.

The School Board's operating budget is largely dependent upon the state of Louisiana for funding its public education initiatives through the Minimum Foundation Program allocation (more than $200 million annually) and the City of New Orleans to collect and forward the School Board's share of property and sales taxes (nearly $150 million). Specifically, the School Board relies greatly on the funds supplied through these two government entities to finance daily operations to pay teachers' and other employees' salaries, to remit compensation to vendors for the cost of educational materials and services, and to satisfy bond debt service requirements. In the case of bond payments, the School Board relies heavily upon its paying agents to make timely remittances to each bondholder.

If the computer systems for the state, the city or the financial institutions on which the School Board relies do not operate in a timely manner due to year 2000 problems, the School Board's operation would be adversely and significantly impaired. The School Board has communicated with these organizations to see what plans have been made to avoid this problem and to determine what alternate plans can be made in the event of computer failures. To date, several key financial institutions have responded with assurance that necessary planning and testing measures have been taken to ensure year 2000 compliance.

Statements and Schedules

- Combining
- Individual Fund
- Account Group

General Fund

The General Fund is the primary operating fund of the School Board. The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. Reported in the General Fund are most of the revenues from local and state sources. The major types of revenues from these sources are:

- Local – Sales and Ad Valorem Taxes (including 1988 Dedicated Millage Revenue)
- State – Minimum Foundation Program

General Fund expenditures represent the costs of general school system operations and include the functional categories of instructional and Support Services. Classifications within Support Services include:

- Pupil Support
- Instructional Staff Support
- General Administration
- School Administration
- Business Administration

Business Administration costs reflect the expenditures incurred for pupil transportation, fringe benefits (including retirement contributions), revenue collection fees, business, maintenance and central services (including claims and judgments).

ORLEANS PARISH SCHOOL BOARD

General Fund

Comparative Balance Sheets

June 30, 1998 and 1997

Assets	1998	1997
Cash and cash equivalents	$ 26,939,003	20,409,559
Investments	-	10,156,020
Receivables:		
Ad valorem taxes	2,306,178	1,903,317
Sales taxes	12,320,438	10,289,328
Accrued interest	15,151	39,214
Due from other governments	11,968,064	7,309,176
Due from other funds	23,809,030	10,143,183
Other	1,105,882	637,794
Total receivables	51,524,743	30,322,012
Inventory	1,022,629	1,044,051
Other assets	365,241	-
Total assets	79,851,616	61,931,642
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	7,148,510	2,331,868
Salaries, wages and payroll taxes payable	4,670,384	4,974,471
Due to other funds	19,451,044	22,332,661
Due to other governments	1,077,971	1,410,315
Liability for claims payable/self-insured losses	2,242,691	-
Other liabilities	2,483	202,716
Accrued compensated absences	4,289,386	4,450,271
Total liabilities	38,882,469	35,702,302
Fund balance:		
Reserved for:		
Encumbrances	3,402,405	1,571,515
Inventory	1,022,629	1,044,051
Unreserved:		
Designated for subsequent years' expenditures	19,039,193	12,879,551
Undesignated	17,504,920	10,734,223
Total fund balance	40,969,147	26,229,340
Total liabilities and fund balance	$ 79,851,616	61,931,642

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
(Non-GAAP)

Year ended June 30, 1998

	Budget	Actual	*Variance -* Favorable (Unfavorable)
Revenues (Schedule A-3)	$ 365,505,513	373,527,836	8,022,323
Expenditures (Schedule A-4)	351,683,845	344,682,234	7,001,611
Excess of revenues over expenditures	13,821,668	28,845,602	15,023,934
Other financing sources (uses):			
Bond proceeds	772,000	772,181	181
Operating transfers in	1,000,000	1,956,597	956,597
Operating transfers out	(19,932,432)	(18,541,711)	1,390,721
Total other financing sources (uses):	(18,160,432)	(15,812,933)	2,347,499
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,338,764)	13,032,669	17,371,433
Fund balance at beginning of year	24,327,260	24,327,260	-
Fund balance at end of year	$ 19,988,496	37,359,929	17,371,433

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fund

Schedule of Revenues - Budget and Actual - Budget Basis (Non-GAAP)

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	1998			
	Budget	Actual	Variance - Favorable (Unfavorable)	1997 Actual
Revenues from local sources:				
Ad valorem taxes:				
Real property	$ 35,372,813	36,444,916	1,072,103	34,838,554
Personal property	25,040,000	27,060,787	2,020,787	23,251,107
Sales Taxes	78,000,000	81,963,623	3,963,623	74,119,248
Income on investments	2,200,000	2,590,479	390,479	1,991,358
Tuition and other fees	1,487,000	1,720,523	233,523	1,444,559
Reimbursement of services	1,133,000	1,221,224	88,224	1,152,606
Other	17,000	461,636	444,636	197,947
Total local sources	143,249,813	151,463,188	8,213,375	136,995,379
Revenues from state sources:				
Minimum Foundation Program	208,584,000	208,584,049	49	195,953,625
Revenue sharing	3,600,000	3,551,759	(48,241)	3,602,755
Professional Improvement Program	4,000,000	3,523,870	(476,130)	3,681,509
Textbook distribution	555,000	576,522	21,522	744,299
Transportation	724,000	730,349	6,349	534,600
State supplemental allocation	1,031,700	1,031,700	-	-
State pay supplement	-	-	-	567,084
Total state sources	218,494,700	217,998,249	(496,451)	205,083,872
Revenues from federal sources:				
Impact aid	970,000	1,072,215	102,215	502,202
Indirect cost	1,071,000	1,049,270	(21,730)	1,009,207
ROTC salary support	498,000	669,068	171,068	671,908
Other	1,222,000	1,275,846	53,846	1,389,711
Total federal sources	3,761,000	4,066,399	305,399	3,573,028
Total revenues	$ 365,505,513	373,527,836	8,022,323	345,652,279

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fund

Schedule of Expenditures - Budget and Actual - Budget Basis
(Non-GAAP)

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	1998 Budget	1998 Actual	1998 Variance - Favorable (Unfavorable)	1997 Actual
Instructional:				
Regular instruction:				
Salaries	$ 126,841,738	126,293,895	547,843	122,181,013
Travel	43,164	42,368	796	33,687
Total - regular instruction	126,884,902	126,336,263	548,639	122,214,700
Special instruction:				
Salaries	40,941,153	40,826,915	114,238	38,038,012
Travel	34,000	58,352	(24,352)	45,264
Total - special instruction	40,975,153	40,885,267	89,886	38,083,276
Total instructional	167,860,055	167,221,530	638,525	160,297,976
Support services:				
Pupil Support:				
Salaries	14,426,119	14,554,824	(128,705)	14,025,101
Purchased services	1,256,819	908,139	348,680	702,750
Materials and supplies	11,373,238	8,595,187	2,778,051	5,385,911
Capital outlay	1,160,328	681,489	478,839	938,080
Other expenditures	654,438	235,602	418,836	145,970
Total pupil support	28,870,942	24,975,241	3,895,701	21,197,812
Instructional staff support:				
Salaries	6,859,031	6,783,061	75,970	6,792,101
Purchased services	297,185	279,803	17,382	364,475
Materials and supplies	195,317	166,324	28,993	76,766
Capital outlay	177,640	117,351	60,289	115,650
Other expenditures	22,698	17,978	4,720	30,821
Total instruction staff support	7,551,871	7,364,517	187,354	7,379,813
General administration:				
Salaries	1,824,891	2,152,855	(327,964)	1,700,335
Purchased services	2,279,125	2,375,518	(96,393)	1,407,771
Materials and supplies	425,864	366,562	59,302	200,753
Capital outlay	12,221	6,334	5,887	6,811
Other expenditures	1,366,025	1,357,874	8,151	1,245,016
Total general administration	5,908,126	6,259,143	(351,017)	4,560,686
School administration:				
Salaries	16,103,398	16,201,091	(97,693)	15,691,509
Purchased services	47,365	67,538	(20,173)	45,658
Total school administration	16,150,763	16,268,629	(117,866)	15,737,167
Business administration:				
Salaries	29,325,966	28,922,686	403,280	27,773,356
Purchased services	30,051,099	28,408,813	1,642,286	22,261,511
Materials and supplies	3,008,118	2,698,009	310,109	2,234,798
Capital outlay	888,826	158,153	730,673	228,182
Other expenditures	236,123	470,471	(234,348)	216,126
Fringe benefits	61,481,956	60,850,936	631,020	58,740,795
Total business administration	124,992,088	121,509,068	3,483,020	111,454,768
Total support services	183,473,790	176,376,598	7,097,192	160,330,246
Debt service	350,000	1,084,106	(734,106)	1,442,244
Total expenditures	$ 351,683,845	344,682,234	7,001,611	322,070,466

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fund

Schedule of Business Administration Expenditures - By Function

Budget and Actual - Budget Basis
(Non - GAAP)

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	1998 Budget	1998 Actual	1998 Variance - Favorable (Unfavorable)	1997 Actual
Business Services:				
Salaries	$ 2,346,024	2,270,918	75,106	2,158,736
Purchased services	657,504	618,717	38,787	499,267
Materials and supplies	65,098	58,404	6,694	80,515
Capital outlay	204,579	29,533	175,046	53,630
Other expenditures	107,280	101,248	6,032	4,297
Fringe benefits - systemwide	61,481,956	60,850,936	631,020	58,740,795
Total business services	64,862,441	63,929,756	932,685	61,537,240
Central Services:				
Salaries	1,871,811	1,827,407	44,404	1,796,241
Purchased services	9,279,392	9,024,658	254,734	4,713,975
Materials and supplies	515,196	460,597	54,599	218,645
Capital outlay	94,347	93,816	531	63,320
Other expenditures	25,526	18,609	6,917	1,977
Total central services	11,786,272	11,425,087	361,185	6,794,158
Pupil Transportation:				
Salaries	5,281,403	5,815,241	(533,838)	6,275,059
Purchased services	7,196,821	7,194,009	2,812	7,063,470
Materials and supplies	947,855	907,929	39,926	862,300
Capital outlay	188,466	(28,485)	216,951	(1,958)
Total pupil transportation	13,614,545	13,888,694	(274,149)	14,198,871
Maintenance of Plant:				
Salaries	19,826,728	19,009,120	817,608	17,543,320
Purchased services	12,917,382	11,571,429	1,345,953	9,984,799
Materials and supplies	1,479,969	1,271,079	208,890	1,073,338
Capital outlay	401,434	63,289	338,145	113,190
Other expenditures	103,317	350,614	(247,297)	209,852
Total maintenance of plant	34,728,830	32,265,531	2,463,299	28,924,499
Total business administration	$ 124,992,088	121,509,068	3,483,020	111,454,768

See accompanying independent auditor's report.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures related to federal, state and local grant and entitlement programs for various educational objectives. Also included are the revenues and expenditures for the school breakfast and lunch programs. The School Board maintains the following Special Revenue Funds:

- Improving America's School Act (IASA) Fund, Titles I, II, IV and VI
- Individuals with Disabilities Education Act (IDEA) Fund
- Other Federal Funds
  - Dropout Prevention
  - Migrant Education
  - Drug-Free Schools
  - Project Independence
  - Vocational Education
  - Homeless Assistance
  - Goals 2000
  - Starting Points Pre-School
  - Urban Systemic Initiative
- State and Local Funds
- Child Nutrition Fund

ORLEANS PARISH SCHOOL BOARD

Special Revenue Funds

Combining Balance Sheet

June 30, 1998
with comparative totals for June 30, 1997

Assets	IASA Funds	IDEA Funds	Other Federal Funds
Receivables:			
Due from other governments	$ 6,860,505	220,118	2,749,567
Due from other funds	-	-	76,214
Total receivables	6,860,505	220,118	2,825,781
Inventory	-	-	-
Total assets	6,860,505	220,118	2,825,781
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	255,192	8,216	209,272
Due to other funds	6,605,313	211,902	2,540,295
Deferred revenues	-	-	76,214
Total liabilities	6,860,505	220,118	2,825,781
Fund balances:			
Reserved for inventory	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	$ 6,860,505	220,118	2,825,781

See accompanying independent auditor's report.

State and Local Funds	Child Nutrition Fund	Totals 1998	Totals 1997
5,879,124	322,485	16,031,799	6,949,299
125,950	-	202,164	635,207
6,005,074	322,485	16,233,963	7,584,506
-	723,298	723,298	828,777
6,005,074	1,045,783	16,957,261	8,413,283
131,081	316,183	919,944	491,512
5,748,043	6,302	15,111,855	6,601,207
125,950	492,124	694,288	729,011
6,005,074	814,609	16,726,087	7,821,730
-	231,174	231,174	591,553
-	231,174	231,174	591,553
6,005,074	1,045,783	16,957,261	8,413,283

ORLEANS PARISH SCHOOL BOARD

Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 1998
with comparative totals for year ended June 30, 1997

	IASA Funds	IDEA Funds	Other Federal Funds
Revenues:			
From local sources	$ -	-	-
From state sources	-	-	-
From federal sources	33,045,946	2,532,203	5,786,756
Total revenues	33,045,946	2,532,203	5,786,756
Expenditures:			
Current:			
Instructional:			
Regular	25,806,649	-	4,659,158
Special	-	535,170	-
Support services:			
Pupils	822,834	562,804	41,701
General administration	1,260,710	1,107,322	348,562
Business administration	5,155,753	326,907	739,107
Total expenditures	33,045,946	2,532,203	5,788,528
Deficiency of revenues over expenditures	-	-	(1,772)
Other financing sources (uses):			
Operating transfers in	-	-	1,772
Operating transfers out	-	-	-
Total other financing sources	-	-	1,772
Deficiency of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund balances at beginning of year		-	-
Fund balances at end of year	$ -	-	-

See accompanying independent auditor's report.

State and Local Funds	Child Nutrition Funds	Totals 1998	Totals 1997
1,270,949	1,253,268	2,524,217	2,112,167
8,461,075	880,700	9,341,775	2,621,728
-	25,168,802	66,533,707	66,449,877
9,732,024	27,302,770	78,399,699	71,183,772
9,159,320	-	39,625,127	33,679,485
180,320	-	715,490	1,197,800
63,247	-	1,490,586	1,266,545
43,240	-	2,759,834	2,313,742
428,259	28,670,305	35,320,331	33,160,929
9,874,386	28,670,305	79,911,368	71,618,501
(142,362)	(1,367,535)	(1,511,669)	(434,729)
148,959	1,007,156	1,157,887	831,014
(6,597)	-	(6,597)	(51)
142,362	1,007,156	1,151,290	830,963
-	(360,379)	(360,379)	396,234
-	591,553	591,553	195,319
-	231,174	231,174	591,553

ORLEANS PARISH SCHOOL BOARD

Improving America's Schools Act (IASA) - Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

Year ended June 30, 1998

	Budget	Actual	Favorable (Unfavorable)
Revenues:			
From federal sources	$ 38,931,989	33,045,946	(5,886,043)
Expenditures:			
Current:			
Instructional:			
Regular	30,401,990	25,806,649	4,595,341
Support services:			
Pupils	969,407	822,834	146,573
General administration	1,487,202	1,260,710	226,492
Business administration	6,073,390	5,155,753	917,637
Total expenditures	38,931,989	33,045,946	5,886,043
Excess of revenues over expenditures	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ -	-	-

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

Individuals with Disabilities Education Act (IDEA) - Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

Year ended June 30, 1998

	Budget	Actual	Favorable (Unfavorable)
Revenues:			
From federal sources	$ 3,835,008	2,532,203	(1,302,805)
Expenditures:			
Current:			
Instructional:			
Special	969,540	535,170	434,370
Support services:			
Pupils	770,741	562,804	207,937
General administration	1,532,819	1,107,322	425,497
Business administration	561,908	326,907	235,001
Total expenditures	3,835,008	2,532,203	1,302,805
Excess of revenues over expenditures	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ -	-	-

See accompanying independent auditor's report.

ORLEANS PARISH SCIOOL BOARD

Other Federal Funds - Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

Year ended June 30, 1998

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
From federal sources	$ 9,981,783	5,786,756	(4,195,027)
Expenditures:			
Current:			
Instructional:			
Regular	8,034,337	4,659,158	3,375,179
Support services:			
Pupils	71,910	41,701	30,209
General administration	600,903	348,562	252,341
Business administration	1,274,633	739,107	535,526
Total expenditures	9,981,783	5,788,528	4,193,255
Deficiency of revenues over expenditures	-	(1,772)	(1,772)
Other financing sources:			
Operating transfers in	-	1,772	1,772
Total other financing sources	-	1,772	1,772
Excess of revenues and other financing sources over expenditures	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ -	-	-

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

State and Local Funds - Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year ended June 30, 1998

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
From local sources	$ 1,363,804	1,270,949	(92,855)
From state sources	9,673,308	8,461,075	(1,212,233)
Total revenues	11,037,112	9,732,024	(1,305,088)
Expenditures:			
Current:			
Instructional:			
Regular	10,226,153	9,159,320	1,066,833
Special	204,501	180,320	24,181
Support services:			
Pupils	71,729	63,247	8,482
General administration	49,039	43,240	5,799
Business administration	485,690	428,259	57,431
Total expenditures	11,037,112	9,874,386	1,162,726
Deficiency of revenues over expenditures	-	(142,362)	(142,362)
Other financing sources (uses):			
Operating transfers in	-	148,959	148,959
Operating transfers out	-	(6,597)	(6,597)
Total other financing sources (uses)	-	142,362	142,362
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ -	-	-

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

Child Nutrition Fund - Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

Year ended June 30, 1998

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
From local sources	$ 1,986,089	1,253,268	(732,821)
From state sources	614,000	880,700	266,700
From federal sources	24,635,272	25,168,802	533,530
Total revenues	27,235,361	27,302,770	67,409
Expenditures:			
Current:			
Support services:			
Business administration	27,670,353	28,670,305	(999,952)
Total expenditures	27,670,353	28,670,305	(999,952)
Deficiency of revenues over expenditures	(434,992)	(1,367,535)	(932,543)
Other financing sources:			
Operating transfers in	456,000	1,007,156	551,156
Total other financing sources	456,000	1,007,156	551,156
Deficiency of revenues and other financing sources over expenditures	21,008	(360,379)	(381,387)
Fund balances at beginning of year	591,553	591,553	-
Fund balances at end of year	$ 612,561	231,174	(381,387)

See accompanying independent auditor's report.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs. A separate Debt Service Fund is maintained for each bond issue or similar bond issue and loan currently outstanding.

ORLEANS PARISH SCHOOL BOARD

Debt Service Funds

Combining Balance Sheet

June 30, 1998
with comparative totals for June 30, 1997

Assets	Refunding Bonds Series 1987	Refunding Bonds Series 1991	Refunding Bonds Series 1995	General Obligation Bonds
Cash and cash equivalents	$ 2,337,613	2,960	632,556	3,771,848
Investments	-	-	1,945,024	426,500
Receivables:				
Accrued interest	-	-	28,386	17,782
Due from other funds	-	2,300,069	792,000	3,256,143
Total receivables	-	2,300,069	820,386	3,273,925
Total assets	2,337,613	2,303,029	3,397,966	7,472,273
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	-	-	-	-
Fund balances:				
Reserved for debt service	2,337,613	2,303,029	3,397,966	7,472,273
Total liabilities and fund balances	$ 2,337,613	2,303,029	3,397,966	7,472,273

See accompanying independent auditor's report.

Energy Retrofit Project Bonds 1996	Gordon School Loan	EPA Loans	Totals 1998	1997
8,855	363	-	6,754,195	4,370,048
1,117,500	-	-	3,489,024	3,923,536
31,197	-	-	77,365	45,101
-	32	-	6,348,244	8,039,458
31,197	32	-	6,425,609	8,084,559
1,157,552	395	-	16,668,828	16,378,143
-	-	-	-	776,155
1,157,552	395	-	16,668,828	15,601,988
1,157,552	395	-	16,668,828	16,378,143

ORLEANS PARISH SCHOOL BOARD

Debt Service Funds

Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances

Year ended June 30, 1998
with comparative totals for the year ended June 30, 1997

	Refunding Bonds Series 1987	Refunding Bonds Series 1991	Refunding Bonds Series 1995	General Obligation Bonds
Revenues:				
From local sources:				
Ad valorem taxes	$ --	--	--	4,847,160
Income on investments	112,440	106	176,058	149,849
Land-based casino		--	--	--
Total revenues	112,440	106	176,058	4,997,009
Expenditures:				
Current:				
Business administration - fiscal charges	46,079	--	--	--
Debt service:				
Principal retirement	4,020,000	--	1,785,000	--
Interest charges	706,950	--	8,976,726	6,279,665
Bond issuance costs	--	--	65,215	--
Total expenditures	4,773,029	--	10,826,941	6,279,665
Excess (deficiency) of revenues over expenditures	(4,660,589)	106	(10,650,883)	(1,282,656)
Other financing sources (uses):				
Operating transfers in	5,164,561	--	11,509,173	6,036,559
Operating transfers out	--	(1,031,747)	--	(4,000,000)
Payment to refunded bond escrow agent	--	--	(8,166,458)	--
Bond proceeds	--	--	8,155,000	--
Total other financing sources (uses)	5,164,561	(1,031,747)	11,497,715	2,036,559
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	503,972	(1,031,641)	846,832	753,903
Fund balances at beginning of year	1,833,641	3,334,670	2,551,134	6,718,370
Fund balances at end of year	$ 2,337,613	2,303,029	3,397,966	7,472,273

See accompanying independent auditor's report.

Energy Retrofit Project Bonds 1996	Gordon School Loan	EPA Loans	Totals 1998	Totals 1997
-	-	-	4,847,160	368,069
114,487	-	-	552,940	279,931
-	-	-	-	536,000
114,487	-	-	5,400,100	1,184,000
-	-	-	46,079	54,816
500,000	55,000	339,566	6,699,566	4,029,566
555,229	44,105	-	16,562,675	14,525,403
-	-	-	65,215	19,126
1,055,229	99,105	339,566	23,373,535	18,628,911
(940,742)	(99,105)	(339,566)	(17,973,435)	(17,444,911)
977,621	56,000	339,566	24,083,480	21,636,672
-	-	-	(5,031,747)	(195,588)
-	-	-	(8,166,458)	-
-	-	-	8,155,000	-
977,621	56,000	339,566	19,040,275	21,441,084
36,879	(43,105)	-	1,066,840	3,996,173
1,120,673	43,500	-	15,601,988	11,605,815
1,157,552	395	-	16,668,828	15,601,988

Capital Projects Funds

Capital Projects Funds account for the receipt and disbursement of proceeds of general bond issues and other special or designated revenues used for the acquisition or construction of major capital facilities, renovations and major repairs (other than General Fund capital outlays, Special Revenue Fund capital outlays, and those projects financed by Proprietary Funds). At present, there are five Capital Projects Funds which are based on the major classification of projects established by the School Board.

ORLEANS PARISH SCHOOL BOARD

Capital Projects Funds

Combining Balance Sheet

June 30, 1998
with comparative totals for June 30, 1997

Assets		Capital Fund # 1	Capital Fund # 2	Capital Fund # 3
Cash and cash equivalents	$	205,853	28,478,733	788
Investments		323,000	143,215,713	1,347,000
Receivables:				
Accrued interest		1,538	560,496	6,359
Due from other funds		1,037,367	6,128	-
Total receivables		1,038,905	566,624	6,359
Total assets		1,567,758	172,261,070	1,354,147
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		1,415	857,024	1,788
Retainage payable		-	338,288	-
Due to other funds		58,253	5,613,301	25,835
Total liabilities		59,668	6,808,613	27,623
Fund balances:				
Reserved for encumbrances		289,187	14,396,121	243,375
Unreserved, designated for subsequent years' expenditures		1,218,903	151,056,336	1,083,149
Total fund balances		1,508,090	165,452,457	1,326,524
Total liabilities and fund balances	$	1,567,758	172,261,070	1,354,147

See accompanying independent auditor's report.

Capital Fund # 4	Capital Fund # 5	Totals 1998	Totals 1997
222	609	28,686,205	15,335,037
3,130,000	4,676,000	152,691,713	97,440,205
14,776	22,075	605,244	1,616,032
-	-	1,043,495	1,919,023
14,776	22,075	1,648,739	3,535,055
3,144,998	4,698,684	183,026,657	116,310,297
-	5,793	866,020	401,069
-	21,282	359,570	266,879
1,416	429,459	6,128,264	2,054,007
1,416	456,534	7,353,854	2,721,955
133,242	744,871	15,806,796	5,068,217
3,010,340	3,497,279	159,866,007	108,520,125
3,143,582	4,242,150	175,672,803	113,588,342
3,144,998	4,698,684	183,026,657	116,310,297

ORLEANS PARISH SCHOOL BOARD

Capital Projects Funds

Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances

Year ended June 30, 1998
with comparative totals for June 30, 1997

	Capital Fund # 1	Capital Fund # 2	Capital Fund # 3
Revenues:			
From local sources:			
Ad valorem taxes	$ -	-	-
Income on investments	35,810	7,540,058	77,693
Other:			
Sale of surplus property	-	-	-
Miscellaneous	80,826	-	-
Total revenues	116,636	7,540,058	77,693
Expenditures:			
Capital projects:			
Site improvement services	-	-	-
Architecture and engineering services	39,903	793,177	1,787
Supervision and inspection	-	1,735,905	-
Construction	-	4,500	-
Renovation	330,374	7,980,357	57,417
Other expenditures	-	1,524,672	-
Total capital projects expenditures	370,277	12,038,611	59,204
Debt service:			
Bond issuance costs	-	430,024	-
Total expenditures	370,277	12,468,635	59,204
Excess (deficiency) of revenues over expenditures	(253,641)	(4,928,577)	18,489
Other financing sources (uses):			
Operating transfers in	-	3,000,000	-
Operating transfers out	(82)	(5,851,691)	-
Bond proceeds	-	70,000,000	-
Total other financing sources (uses)	(82)	67,148,309	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(253,723)	62,219,732	18,489
Fund balances at beginning of year	1,761,813	103,232,725	1,308,035
Fund balances at end of year	$ 1,508,090	165,452,457	1,326,524

See accompanying independent auditor's report.

Capital Fund # 4	Capital Fund # 5	Totals 1998	Totals 1997
-	1,340,027	1,340,027	2,653,298
162,201	212,709	8,028,471	5,288,853
-	-	-	195,640
-	-	80,826	127,714
162,201	1,552,736	9,449,324	8,265,505
-	-	-	33,160
1,415	27,508	863,790	796,917
-	-	1,735,905	-
-	-	4,500	612,063
-	373,597	8,741,745	6,845,865
-	785,454	2,310,126	1,047,496
1,415	1,186,559	13,656,066	9,335,501
-	-	430,024	197,139
1,415	1,186,559	14,086,090	9,532,640
160,786	366,177	(4,636,766)	(1,267,135)
-	-	3,000,000	-
-	(427,000)	(6,278,773)	(4,375,462)
-	-	70,000,000	35,000,000
-	(427,000)	66,721,227	30,624,538
160,786	(60,823)	62,084,461	29,357,403
2,982,796	4,302,973	113,588,342	84,230,939
3,143,582	4,242,150	175,672,803	113,588,342

Proprietary Funds

Internal Service Funds
Insurance Funds and Print Shop Fund

Internal Service Funds are used to account for the accumulation of resources for and the payment of premiums and benefits by the School Board's insurance program and the revenues and expenses of the Print Shop. The School Board maintains the following Insurance Funds:

- Health Insurance Fund
- Life, Dental and Optical Insurance Fund
- Workers' Compensation Insurance Fund
- Other Insurance Fund
  (Property and Casualty and Other Risk Programs)

ORLEANS PARISH SCHOOL BOARD

Proprietary Fund Types

Internal Service Funds - Insurance Funds and Print Shop
Combining Balance Sheet

June 30, 1998
with comparative totals for June 30, 1997

Assets	Health Insurance	Life, Dental and Optical Insurance
Cash and cash equivalents	$ 152,782	116,257
Receivables:		
Due from other funds	3,331,997	2,112,634
Other receivables	1,338,149	11,505
Total receivables	4,670,146	2,124,139
Other assets - prepaid insurance	-	-
Total assets	4,822,928	2,240,396
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	2,348,222	877,896
Due to other funds	-	-
Liability for claims payable/self-insured losses	1,372,546	-
Total liabilities	3,720,768	877,896
Retained earnings:		
Reserved for casualty losses and employee benefits	1,102,160	1,362,500
Total fund equity - retained earnings	1,102,160	1,362,500
Total liabilities and fund equity	$ 4,822,928	2,240,396

See accompanying independent auditor's report.

Workers' Compensation Insurance	Other Insurance	Print Shop	Totals 1998	Totals 1997
54,314	-	-	323,353	333,418
4,550,177	1,855,020	2,863	11,852,691	11,734,523
290,416	-	-	1,640,070	143,386
4,840,593	1,855,020	2,863	13,492,761	11,877,909
38,453	1,103,725	-	1,142,178	1,540,573
4,933,360	2,958,745	2,863	14,958,292	13,751,900
857,882	230,797	2,863	4,317,660	4,166,458
-	30,000	-	30,000	829
2,121,662	-	-	3,494,208	5,832,402
2,979,544	260,797	2,863	7,841,868	9,999,689
1,953,816	2,697,948	-	7,116,424	3,752,211
1,953,816	2,697,948	-	7,116,424	3,752,211
4,933,360	2,958,745	2,863	14,958,292	13,751,900

ORLEANS PARISH SCHOOL BOARD

Proprietary Fund Types
Internal Service Funds - Insurance Funds and Print Shop

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit)

Year ended June 30, 1998
with comparative totals for the year ended June 30, 1997

	Health Insurance	Life, Dental and Optical Insurance
Operating revenues:		
Employer contributions	$ 17,905,835	3,449,833
Employee contributions	9,689,282	513,836
Other - settlement of claim	950,000	-
Total operating revenues	28,545,117	3,963,669
Operating expenses:		
Benefit payments	-	-
Premium payments	27,392,252	3,342,396
Provision for claims payable/ self-insured losses	-	-
Other expenses	89,569	66,150
Total operating expenses	27,481,821	3,408,546
Operating income (loss)	1,063,296	555,123
Nonoperating revenue:		
Interest income	7,101	-
Income (loss) before operating transfers	1,070,397	555,123
Operating transfers in	-	-
Operating transfers out	(950,000)	-
Net operating transfers	(950,000)	-
Net income	120,397	555,123
Retained earnings (accumulated deficit):		
Beginning of year	981,763	807,377
Residual equity transfer	-	-
End of year	$ 1,102,160	1,362,500

See accompanying independent auditor's report.

Workers' Compensation Insurance	Other Insurance	Print Shop	Totals 1998	Totals 1997
3,386,441	3,266,427	636,044	28,644,580	27,848,393
-	-	-	10,203,118	10,278,180
-	-	-	950,000	-
3,386,441	3,266,427	636,044	39,797,698	38,126,573
2,587,351	46,755	-	2,634,106	3,212,955
49,680	2,059,401	-	32,843,729	33,025,003
(562,949)	-	-	(562,949)	(223,910)
528,729	1	646,908	1,331,357	2,463,591
2,602,811	2,106,157	646,908	36,246,243	38,477,639
783,630	1,160,270	(10,864)	3,551,455	(351,066)
144,793	-	-	151,894	154,102
928,423	1,160,270	(10,864)	3,703,349	(196,964)
600,000	-	10,864	610,864	-
-	-	-	(950,000)	3,850,846
600,000	-	10,864	(339,136)	3,850,846
1,528,423	1,160,270	-	3,364,213	3,653,882
425,393	1,537,678	-	3,752,211	(12,045,320)
-	-	-	-	12,143,649
1,953,816	2,697,948	-	7,116,424	3,752,211

ORLEANS PARISH SCHOOL BOARD

Proprietary Fund Types
Internal Service Funds - Insurance Funds and Print Shop

Combining Statement of Cash Flows

Year ended June 30, 1998
with comparative totals for the year ended June 30, 1997

	Health Insurance	Life, Dental and Optical Insurance
Cash flows from operating activities:		
Operating income (loss)	$ 1,063,296	555,123
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Provision for claims payable/self-insured losses	-	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	(1,262,196)	15,615
Decrease (increase) in other assets	-	-
Decrease (increase) in due from other funds	1,064,090	(830,028)
Increase (decrease) in accounts payable	56,809	350,262
Increase (decrease) in due to other funds	-	-
Increase in claims payable/self-insured losses payable	28,000	-
Total adjustments	(113,297)	(464,151)
Net cash provided by (used in) operating activities	949,999	90,972
Cash flows from noncapital financing activities:		
Operating transfers in	-	-
Operating transfers out	(950,000)	-
Residual equity transfer	-	-
Net cash provided by (used in) noncapital financing activities	(950,000)	-
Cash flows from investing activities:		
Interest Income	7,101	-
Sale of investments	-	-
Net cash provided by investing activities	7,101	-
Net increase (decrease) in cash and cash equivalents	7,100	90,972
Cash and cash equivalents at beginning of year	145,682	25,285
Cash and cash equivalents at end of year	$ 152,782	116,257

See accompanying independent auditor's report.

Workers' Compensation Insurance	Other Insurance	Print Shop	Totals 1998	Totals 1997
783,630	1,160,270	(10,864)	3,551,455	(351,066)
(562,949)	-	-	(562,949)	(223,910)
(267,394)	13,338	3,953	(1,496,684)	3,651
-	398,395	-	398,395	(633,357)
(1,656,478)	1,307,111	(2,863)	(118,168)	5,013,476
850,261	(1,105,869)	(261)	151,202	1,125,005
-	30,000	(829)	29,171	(1,026,742)
-	(1,803,245)	-	(1,775,245)	(20,211,925)
(1,636,560)	(1,160,270)	-	(3,374,278)	(15,953,802)
(852,930)	-	(10,864)	177,177	(16,304,868)
600,000	-	10,864	610,864	3,850,846
-	-	-	(950,000)	-
-	-	-	-	12,143,649
600,000	-	10,864	(339,136)	15,994,495
144,793	-	-	151,894	154,102
-	-	-	-	135,294
144,793	-	-	151,894	289,396
(108,137)	-	-	(10,065)	(20,977)
162,451	-	-	333,418	354,395
54,314	-	-	323,353	333,418

NEW ORLEANS • PUBLIC SCHOOLS •
WORKING TOGETHER TO BUILD
RESPECT for LIFE PROPERTY & LEARNING

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School Board in a trust or agency capacity.

Trust Funds - This group of funds was created to account for resources contributed by various individuals to the School board to be expended for purposes for which the trusts were established.

Agency Funds - This group of funds is maintained to account for cash held by the School Board as an agent. The School Board maintains the following Agency Funds:

- Tax and Payroll Withholding Fund
- Student Activity Funds

ORLEANS PARISH SCHOOL BOARD

Fiduciary Funds

Combining Balance Sheet

June 30, 1998
with comparative totals for June 30, 1997

	Trust Funds	
Assets	Nonexpendable	Expendable
Cash and cash equivalents	$ 9,539	39,959
Investments	-	332,647
Receivables:		
Accrued interest	-	917
Due from other funds	4,450	-
Total receivables	4,450	917
Total assets	13,989	373,523
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	-	1,200
Due to other funds	-	-
Due to student groups	-	-
Total liabilities	-	1,200
Fund balances:		
Reserved for endowment restrictions	13,989	-
Unreserved, undesignated	-	372,323
Total fund balances	13,989	372,323
Total liabilities and fund balances	$ 13,989	373,523

See accompanying independent auditor's report.

Agency Funds		Totals	
Payroll Withholding	Student Activity	1998	1997
1,339,596	3,979,712	5,368,806	12,264,131
9,832,563	-	10,165,210	215,772
-	27,477	28,394	28,218
-	-	4,450	4,450
-	27,477	32,844	32,668
11,172,159	4,007,189	15,566,860	12,512,571
8,633,248	241,343	8,875,791	8,547,045
2,538,911	-	2,538,911	710,985
-	3,765,846	3,765,846	3,016,217
11,172,159	4,007,189	15,180,548	12,274,247
-	-	13,989	14,725
-	-	372,323	223,599
-	-	386,312	238,324
11,172,159	4,007,189	15,566,860	12,512,571

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 1998

Payroll Withholding		Balance July 1,1997	Additions	Deletions	Balance June 30,1998
Assets					
Cash and cash equivalents	$	9,056,902	12,274,646	19,991,952	1,339,596
Investments		-	9,832,563	-	9,832,563
Total assets	$	9,056,902	22,107,209	19,991,952	11,172,159
Liabilities					
Accounts payable	$	8,346,503	11,160,732	10,873,987	8,633,248
Due to other funds		710,399	10,956,861	9,128,349	2,538,911
Total liabilities	$	9,056,902	22,117,593	20,002,336	11,172,159
Student Activity Funds					
Assets					
Cash and cash equivalents	$	3,189,779	15,878,737	15,088,804	3,979,712
Receivables		26,980	497	-	27,477
Total assets	$	3,216,759	15,879,234	15,088,804	4,007,189
Liabilities					
Accounts payable	$	200,542	40,801	-	241,343
Due to student groups		3,016,217	15,878,737	15,129,108	3,765,846
Total liabilities	$	3,216,759	15,919,538	15,129,108	4,007,189
Total - All Agency Funds					
Assets					
Cash and cash equivalents	$	12,246,681	28,153,383	35,080,756	5,319,308
Investments		-	9,832,563	-	9,832,563
Receivables		26,980	497	-	27,477
Total assets	$	12,273,661	37,986,443	35,080,756	15,179,348
Liabilities					
Accounts payable	$	8,547,045	11,201,533	10,873,987	8,874,591
Due to other funds		710,399	10,956,861	9,128,349	2,538,911
Due to student groups		3,016,217	15,878,737	15,129,108	3,765,846
Total liabilities	$	12,273,661	38,037,131	35,131,444	15,179,348

See accompanying independent auditor's report.

General Fixed Assets Account Group

This Account Group is used to account for the general fixed assets of the School Board and is recorded generally at historical cost. Among the assets included in this category are land, buildings, instructional and office equipment, vehicles and construction projects in progress.

ORLEANS PARISH SCHOOL BOARD

G-1

General Fixed Assets Account Group

Schedule of General Fixed Assets - By Source

June 30, 1998

General Fixed assets:	
Land	$ 29,540,925
Buildings and improvements	349,118,408
Furniture and equipment	50,934,773
Vehicles	9,319,576
Construction in progress	10,765,507
Total general fixed assets	$ 449,679,189
Investment in General Fixed Assets from:	
General and Capital Projects Funds	$ 419,885,676
Individuals With Disabilities Education Act Funds	2,234,986
Improving America's Schools Act Funds	10,874,742
Vocational Education Funds	3,851,797
Child Nutrition Fund	10,222,763
Other Funds	2,609,225
Total investment in general fixed assets	$ 449,679,189

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fixed Assets Account Group

Schedule of General Fixed Assets - By Function

June 30, 1998

Function	Land	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Support services:					
Pupils	$ 22,641,076	335,963,031	32,623,091	539,828	391,767,026
Instructional staff	-	-	1,978,728	-	1,978,728
General administration	-	-	296,072	-	296,072
Business and central services	6,845,349	12,908,377	4,387,619	374,799	24,516,144
Operations and maintenance	-	-	10,822,641	23,566	10,846,207
Bus transportation	54,500	247,000	826,622	8,381,383	9,509,505
Total support services	$ 29,540,925	349,118,408	50,934,773	9,319,576	438,913,682
Construction in progress					10,765,507
Total general fixed assets					$ 449,679,189

See accompanying independent auditor's report.

ORLEANS PARISH SCHOOL BOARD

General Fixed Assets Account Group

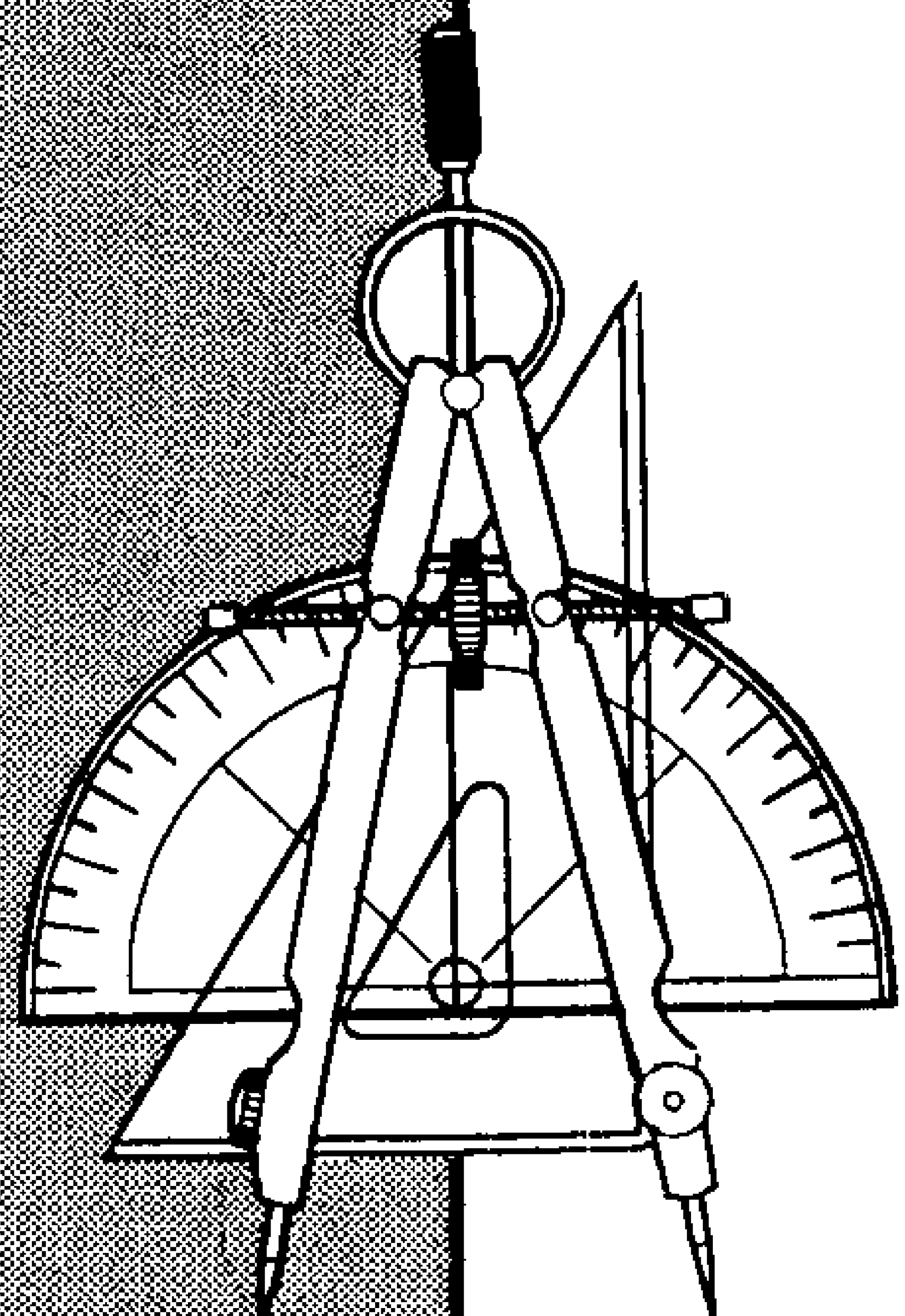
Schedule of Changes in General Fixed Assets - By Function

Year ended June 30, 1998

Function	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
Support services:				
Pupils	$ 388,231,763	5,256,259	1,720,996	391,767,026
Instructional staff	2,058,875	213,618	293,765	1,978,728
General administration	246,219	53,819	3,966	296,072
Business and central services	24,322,597	486,374	292,827	24,516,144
Operations, maintenance and child nutrition	11,026,154	66,505	246,452	10,846,207
Bus transportation	12,498,601	7,989	2,997,085	9,509,505
Total support services	438,384,209	6,084,564	5,555,091	438,913,682
Construction in progress	4,083,049	9,363,246	2,680,788	10,765,507
Total general fixed assets	$ 442,467,258	15,447,810	8,235,879	449,679,189

See accompanying independent auditor's report.

STATISTICAL SECTION



ORLEANS PARISH SCHOOL BOARD

General Fund Revenues by Source

Last Ten Fiscal Years

(Unaudited)

	1997-98	1996-97	1995-96	1994-95
Revenues from local sources :				
Real property tax	$ 33,673,501	32,329,663	30,812,692	32,381,842
Personal property tax	23,607,936	20,416,977	18,567,518	18,799,201
Real and personal property tax (prior)	5,320,348	4,488,269	3,959,328	5,728,570
Delinquent tax penalty	903,918	854,752	704,476	889,942
Total property tax (1)	63,505,703	58,089,661	54,044,014	57,799,555
Sales taxes	81,963,623	74,119,248	74,050,117	68,287,273
Interest on investments	2,590,479	1,991,358	720,485	1,081,417
All other	3,403,383	2,795,112	2,761,474	3,241,307
Total revenues from local sources	151,463,188	136,995,379	131,576,090	130,409,552
Revenues from state sources :				
Minimum Foundation Program (2)	208,584,049	195,953,625	190,941,850	183,636,614
State contribution to teachers' retirement	-	-	-	-
Revenue sharing	3,551,759	3,602,755	3,660,036	3,532,425
All other (3)	5,862,441	5,527,492	5,430,687	12,218,737
Total revenues from state sources	217,998,249	205,083,872	200,032,573	199,387,776
Revenues from federal sources :				
Social Security XIX	-	-	-	-
Public Law 874 - Impact Aid	1,072,215	502,202	1,798,228	1,971,759
Indirect cost	1,049,270	1,009,207	839,944	962,305
All other	1,944,914	2,061,619	1,783,533	1,574,441
Total revenues from federal sources	4,066,399	3,573,028	4,421,705	4,508,505
Total revenues	$ 373,527,836	345,652,279	336,030,368	334,305,833

(1) Millage related property tax revenues for 1990-91, 1989-90, and 1988-89 were included with the Special Revenue and Capital Project Funds. Millage related property tax revenues for 1991-92 1992-93, 1993-94, 1994-95, 1995-96, 1996-97 and 1997-98 are included in the Financial Section with the General Fund (for Purposes A, B, and C) and the Debt Service and Capital Projects Funds (for Purpose D). Revenues for Purposes A, B, and C are itemized in Note 11 (d).

(2) Beginning in 1992-93, the Minimum Foundation Program (MFP) includes the State's contribution to Teachers' Retirement and Block Grants.

(3) In 1994-95 and 1996-97, the State of Louisiana funded state pay supplements in the amounts of $6,407,159 and $567,084, respectively.

Table 1

1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
31,414,663	31,405,783	31,829,655	15,448,751	23,093,021	20,792,916
17,387,299	16,370,288	17,231,637	16,713,022	11,388,490	9,652,388
4,648,502	5,751,152	8,683,721	3,962,994	4,260,499	3,228,636
1,020,353	1,141,664	743,776	537,839	619,956	553,335
54,470,817	54,668,887	58,488,789	36,662,606	39,361,966	34,227,275
66,389,014	63,447,736	61,245,778	59,918,677	60,772,368	56,070,286
673,278	1,297,995	1,516,953	3,257,866	3,585,198	2,755,068
2,949,048	4,031,112	3,292,235	2,520,155	2,584,327	2,150,004
124,482,157	123,445,730	124,543,755	102,359,304	106,303,859	95,202,633
178,984,428	169,193,691	114,286,781	111,950,343	102,780,504	93,019,057
-	-	19,227,275	14,585,637	16,624,697	9,069,143
3,521,208	3,693,935	3,852,894	5,411,104	5,425,870	5,437,384
6,033,834	6,161,136	33,358,247	32,621,610	35,810,738	32,668,864
188,539,470	179,048,762	170,725,197	164,568,694	160,641,809	140,194,448
-	-	-	-	243,747	712,649
2,319,717	2,285,726	2,285,726	1,525,912	2,531,915	1,303,352
2,533,603	2,645,740	1,884,670	1,495,050	1,672,678	1,732,472
1,515,176	1,409,882	1,346,134	1,346,223	359,499	369,707
6,368,496	6,341,348	5,516,530	4,367,185	4,807,839	4,118,180
319,390,123	308,835,840	300,785,482	271,295,183	271,753,507	239,515,261

ORLEANS PARISH SCHOOL BOARD

General Fund Expenditures by Function

Last Ten Fiscal Years

(Unaudited)

	1997-98	1996-97 (4)	1995-96	1994-95 (4)	
Instructional :					
Regular	$ 126,336,224	122,215,506	117,023,613	117,090,081	
Special	40,887,202	38,082,940	37,285,793	38,888,485	
Support Services :					
Pupil	23,835,058	22,251,603	20,861,965	22,744,860	
Instructional Staff	7,248,140	7,334,580	6,999,901	7,195,512	
General administration	6,183,756	4,570,295	3,684,264	3,165,404	
School administration	16,268,629	15,737,167	15,695,557	15,849,698	
Business administration :					
Business services	64,140,095	61,522,286	58,732,817	58,970,773	(3)
Maintenance of plant	31,496,548	29,230,345	28,686,802	27,401,521	
Pupil transportation	13,805,154	14,229,679	14,194,036	13,729,887	
Central services	11,690,184	6,569,350	6,220,103	6,635,546	(3)
Debt Service (1)	1,084,106	1,442,244	1,546,083	1,734,728	
Total (2)	$ 342,975,096	323,185,995	310,930,934	313,406,495	

(1) The amount shown for Debt Service in this table represents expenditures for Bond Debt Service, the EPA loan, the LPFA short term loans, and capital lease outlays.

(2) Millage related expenditures for 1990-91, 1989-90, and 1988-89 were included with the Special Revenue and Capital Projects Funds. Millage related expenditures for 1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, and 1997-98 are included in the Financial Section with the General Fund (for Purposes A, B, and C) and Debt Service and Capital Projects Funds (for Purpose D). Expenditures for Purposes A, B, and C are itemized in Note 11 (d).

(3) Reflects the savings achieved through the fiscal 1994 restructuring of the risk management program and the increase in projected exposure to general liability lawsuit claims as a result of the 1994 Louisiana Supreme Court decision to eliminate the maximum award from School Boards.

(4) In 1994-95 and 1996-97, the state issued a one-time state pay supplement which increased salary expenditures in the various categories.

Table 2

1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
114,749,376	117,785,070	113,195,325	102,706,305	94,577,861	86,522,234
37,368,146	36,362,084	34,155,612	30,532,251	28,769,419	26,777,845
21,584,344	22,802,848	20,234,258	15,615,688	15,646,004	15,483,449
6,922,213	7,608,882	7,639,861	7,145,574	6,958,665	6,234,221
2,879,773	2,917,944	2,819,720	3,350,531	3,254,242	3,003,501
15,589,967	15,436,655	14,656,344	13,293,160	12,364,201	11,792,672
55,944,093	56,958,502	57,272,709	45,415,851	5,285,493	3,189,438
28,929,999	27,404,324	24,110,725	21,991,868	22,437,091	21,297,166
13,292,033	17,982,405	12,689,653	10,761,870	8,712,227	8,801,466
11,277,609	6,604,373	5,853,443	6,376,283	48,937,476	36,887,283
1,837,683	1,521,359	1,470,597	1,009,734	715,761	70,484
310,375,236	313,384,446	294,098,247	258,199,115	247,658,440	220,059,759

ORLEANS PARISH SCHOOL BOARD

Property Tax Levies and Collections - Cash Basis

School Board's Portion

Last Ten Calendar Years
(Unaudited)

	Real Estate Tax			Personal Property Tax		
Calendar Year	Amount of Tax Levied	Amount of Tax Collected	%	Amount of Tax Levied	Amount of Tax Collected	%
1998	$45,715,396	$39,860,688	87.19	$28,813,029	$23,607,936	81.93
1997	41,639,085	35,351,030	84.90	25,400,878	20,416,977	80.38
1996	40,050,539	34,507,869	86.16	25,414,662	18,573,647	73.08
1995	37,329,127	33,176,476	88.88	24,329,203	18,847,965	77.47
1994	37,721,678	32,978,104	87.42	22,392,323	17,387,299	77.65
1993	38,257,787	33,611,772	87.86	22,488,656	16,370,288	72.79
1992	39,434,082	34,193,718	86.71	23,078,116	17,231,637	74.67
1991	40,006,150	33,502,350	83.74	22,242,736	16,713,022	75.14
1990	40,422,592	34,718,732	85.89	22,294,738	17,121,792	76.80
1989	41,956,013	33,919,928	80.85	20,625,434	15,746,146	76.34

Sources: Board of Assessors, City of New Orleans, State of LA Motor Vehicle Assessments, and Orleans Parish School Board financial records,

Note: This schedule includes all current year property tax revenue for all funds.

N/A = Not Available

Table 3

Total			Delinquent Taxes	
Amount of Tax Levied	Amount of Tax Collected	%	Amount Outstanding	Percent of Total Tax Levy
$74,528,425	$63,468,624	85.16	N/A	-
67,039,963	55,768,007	83.19	N/A	-
65,465,201	53,081,516	81.08	N/A	-
61,658,330	52,024,441	84.38	N/A	-
60,114,001	50,365,403	83.78	N/A	-
60,746,443	49,982,060	82.28	N/A	-
62,512,198	51,425,355	82.26	N/A	-
62,248,886	50,215,372	80.67	7,154,206	11.5%
62,717,330	51,840,524	82.66	3,841,852	6.1%
62,581,447	49,666,074	79.36	5,100,083	8.1%

ORLEANS PARISH SCHOOL BOARD

Table 4

Assessed and Estimated Market Value of Taxable Property

Last Ten Calendar Years

(Unaudited)

Calendar Year	* Net Assessed Value Real Estate	* Net Assessed Value Personal Property	* Total Net Assessed Value	Total Estimated Market Value	Ratio of Total Net Assessed to Total Estimated Market Value
1998	$939,168,558	$534,355,772	$1,473,524,330	$11,571,542,010	12.7
1997	900,113,718	538,240,913	1,438,354,631	12,613,995,420	11.4
1996	885,533,225	535,898,822	1,421,432,047	12,427,991,063	11.4
1995	824,697,530	477,374,987	1,302,072,517	11,429,475,213	11.4
1994	825,668,157	454,681,962	1,280,530,119	11,287,894,650	11.3
1993	857,708,856	441,534,663	1,299,243,519	11,520,652,980	11.3
1992	896,856,403	468,537,628	1,365,394,031	11,212,538,984	12.2
1991	937,131,824	439,224,172	1,376,355,996	11,763,726,462	11.7
1990	953,587,912	525,943,330	1,479,531,242	12,593,609,773	11.7
1989	989,762,048	486,563,675	1,476,325,723	12,647,045,474	11.7

Source : Louisiana Tax Commission Report, Board of Assessors, Orleans Parish

(*) Excludes Homestead Exemptions

Property Tax Rates - Direct and Overlapping Governments

Number of Mills
(per $1,000 of assessed value)

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of New Orleans	Orleans Levee Board	Orleans Sewerage & Water Board	Orleans Parish School Board	Audubon Commission	Total
1998	77.09	12.01	22.59	48.80	4.55	165.04
1997	77.09	12.01	22.59	45.40	4.55	161.64
1996	77.09	12.01	22.59	45.10	4.55	161.34
1995	77.09	12.01	22.59	45.10	4.55	161.34
1994	77.09	12.01	22.59	45.10	4.55	161.34
1993	77.09	11.29	22.59	45.10	4.55	160.62
1992	76.99 (1)	12.01	22.59	45.10	4.55	161.24
1991	72.30 (2)	11.29	25.23	42.39	4.27	155.48
1990	59.40	11.29	25.23	42.39	4.27	142.58
1989	59.40	11.29	25.23	42.39	4.27	142.58

Source : City of New Orleans

Notes : (1) Millage rates were adjusted upward to offset an approximate 6 % decrease in assessment values, and generate the same level of income as fiscal year 1990-91.

(2) Effective for fiscal years beginning after June 30, 1990, the Homestead Exemption is not allowed for the new 9 - Mill Police and Fire Tax.

ORLEANS PARISH SCHOOL BOARD

Table 6

Principal Taxpayers

December 31, 1997

(Unaudited, Amounts in Thousands)

Name of Taxpayer	Type of Business	1997 Assessed Value	Percentage of Total Assessed Value
BellSouth Telecommunications	Telephone Utilities	$69,471	3.5 %
Entergy Services	Electric and Gas Utilities	68,893	3.5
Hibernia National Bank	Financial Institution	21,588	1.1
First National Bank of Commerce	Financial Institution	21,258	1.1
Whitney National Bank	Financial Institution	19,513	1.0
A T & T Communications	Telecommunications	18,832	1.0
Metropolitan Life Insurance Co.	Insurance	13,234	0.7
Tenetsub (Mercy Baptist Hospitals)	Medical Complex	12,558	0.6
International River Center	Real Estate	11,673	0.6
C S & M Associates	Hotel	11,381	0.6
Total Assessed Value of Principal Taxpayers		$268,401	13.7 %

Source : Board of Assessors, Orleans Parish and City of New Orleans

State Support and Local Support Per Student

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Number of Students	State Support	State Support per Student	Total Student Expenditures (1) (2)	Total Cost per Student	Local Support per Student
1998	81,242 (3)	$217,998,249	$2,683	$393,132,053	$4,839	$1,865
1997	81,943	205,083,872	2,503	366,676,844	4,475	1,672
1996	82,285	200,032,573	2,431	350,992,385	4,266	1,599
1995	82,520	199,387,776	2,416	352,707,365	4,274	1,580
1994	82,436	188,539,470	2,287	351,571,516	4,265	1,536
1993	82,090	179,048,762	2,181	356,297,244	4,340	1,522
1992	81,523	170,725,197	2,094	331,822,459	4,070	1,528
1991	82,609	164,568,894	1,992	308,332,554	3,732	1,465
1990	82,419	160,709,629	1,950	293,008,244	3,555	1,524
1989	83,113	140,194,448	1,687	262,935,365	3,164	1,337

Notes :

(1) For comparability, bond debt service expenditures have been excluded.

(2) General Fund and Special Revenue Funds expenditures, except for Child Nutrition, have been included in total student expenditures.

(3) Referenced student enrollment is the number of students eligible for funding in the Minimum Foundation Program (MFP). Total student enrollment for 1997-98 is 83,724.

ORLEANS PARISH SCHOOL BOARD — Table 8

Computation of Legal Debt Margin

June 30, 1998

(Unaudited)

Net assessed value	$ 1,473,524,330 (1)
Plus exempt property	459,513,089
Total assessed value	$ 1,933,037,419
Debt limit : 35% of assessed value (2)	$ 676,563,097
Amount of general obligation bonded debt applicable to legal debt limit of Parishwide School District of Parish of Orleans	175,000,000
Legal debt margin	$ 501,563,097

Notes: (1) Does not include assessed valuation of motor vehicles.

(2) Source: Louisiana Revised Statutes Title 39, Section 562, as amended.

ORLEANS PARISH SCHOOL BOARD

Table 9

Schedule of Direct and Overlapping Debt

December 31, 1997

(Unaudited)

	Net Outstanding Debt	Percentage Overlapping	Overlapping Debt
Orleans Parish School Board at June 30, 1998 (*)	$ 365,475,518	100%	$ 365,475,518
Overlapping debt :			
City of New Orleans - general obligation bonds	462,641	100%	462,641
Audubon Commission	61,673	100%	61,673
Sewerage & Water Board of New Orleans	46,780	100%	46,780
Orleans Levee District at June 30, 1998 (*)	120,521	100%	120,521
Total overlapping debt	691,615	100%	691,615
Total direct and overlapping debt	$ 366,167,133	100%	$ 366,167,133

Source : City of New Orleans and Orleans Levee District

(*) The fiscal year of the Orleans Parish School Board and Orleans Levee District ends on June 30th .

ORLEANS PARISH SCHOOL BOARD

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population	Number of Students	Net Assessed Value	Gross Bonded Debt	Less: Debt Service Funds
1998	496,938	81,242	$ 1,473,524,330	$ 365,475,518	$ 16,668,828
1997	480,260	81,943	1,438,354,631	298,996,591	15,601,988
1996	496,938	82,285	1,421,432,047	265,982,765	11,605,815
1995	496,938	82,520	1,353,023,221	177,822,203	3,980,591
1994	493,021	82,436	1,322,206,950	166,816,850	4,014,249
1993	495,116	82,090	1,346,927,802	169,046,850	4,387,501
1992	497,230	81,523	1,386,079,795	170,940,618	4,630,780
1991	496,938	82,609	1,468,480,461	155,008,097	6,652,685
1990	533,564	82,419	1,479,531,242	160,750,000	7,547,360
1989	558,961	83,113	1,476,325,723	162,130,000	5,200,314

Sources : Board of Assessors, Orleans Parish, City of New Orleans and Woods & Poole Economics, Inc.

Note: Referenced student enrollment is the number of students eligible for funding in the Minimum Foundation Program (MFP). Total student enrollment for 1997-98 is 83,724. Total student enrollment is not available for prior years.

Table 10

Net Bonded Debt	Ratio of Net Bonded Debt to Net Assessed Value	Net Bonded Debt per Capita	Net Bonded Debt per Student
$ 348,806,690	23.67%	$702	$4,293
283,394,603	19.70%	590	3,458
254,376,950	17.90%	512	3,091
173,841,612	12.85%	350	2,107
162,802,601	12.31%	330	1,975
164,659,349	12.22%	333	2,006
166,309,838	12.00%	334	2,040
148,355,412	10.10%	299	1,796
153,202,640	10.35%	287	1,859
156,929,686	10.63%	281	1,888

ORLEANS PARISH SCHOOL BOARD

Ratio of Annual Debt Service
Expenditures for General Bonded Debt to
General Fund Expenditures and Revenues

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures
1998	$6,699,566	$16,562,675	$23,262,241	$342,975,096
1997	4,029,566	14,525,403	18,554,969	323,185,995
1996	3,090,000	7,800,085	10,890,085	310,930,934
1995	2,655,000	8,850,410	11,505,410	313,406,495
1994	2,230,000	9,005,338	11,235,338	310,375,236
1993	1,895,000	9,134,583	11,029,583	313,384,446
1992	1,522,749	9,356,770	10,879,519	294,098,247
1991	1,340,000	11,715,173	13,055,173	258,199,115
1990	1,380,000	13,406,912	14,786,912	247,658,440
1989	-	12,894,254	12,894,254	220,059,759

Table 11

Ratio of Debt Service To General Fund Expenditures	Total General Fund Revenues	Ratio of Debt Service To General Fund Revenues
6.79%	$373,527,836	6.21%
5.74%	345,652,279	5.37%
3.50%	336,030,368	3.24%
3.67%	334,305,833	3.44%
3.62%	319,390,123	3.52%
3.52%	308,835,840	3.57%
3.70%	300,785,482	3.62%
5.06%	271,295,183	4.81%
5.97%	271,753,507	5.44%
5.86%	239,515,261	5.38%

ORLEANS PARISH SCHOOL BOARD

Table 12

Demographic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population (1)	Total Students	Public Schools Number (2)	Public Schools %	Non-Public Schools Number	Non-Public Schools %
1998	496,938	103,356	81,242	78.60	22,114	21.40
1997	480,260	106,377	81,943	77.03	24,434	22.97
1996	496,938	109,099	82,285	75.42	26,814	24.58
1995	496,938	108,691	82,520	75.92	26,171	24.08
1994	493,021	109,735	82,436	75.12	27,299	24.88
1993	495,116	110,085	82,090	74.57	27,995	25.43
1992	497,230	108,505	81,523	75.13	26,982	24.87
1991	496,938	113,059	82,609	73.07	30,450	26.93
1990	533,564	112,914	82,410	72.98	30,494	27.01
1989	558,961	116,338	83,113	71.44	33,225	28.56

(1) 1990 and 1980 U.S. Census, Louisiana Tech University for 1986-90 population and Woods & Poole Economics, Inc.

(2) Referenced student enrollment is the number of students eligible for funding in the Minimum Foundation Program (MFP). Total student enrollment for 1997-98 is 83,724. (See note 1, page 14.) Total student enrollment is not available for all prior years.

ORLEANS PARISH SCHOOL BOARD

Table 13

Bonded Debt

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Bonded Debt
1998	$365,475,518
1997	298,996,591
1996	265,982,765
1995	177,822,203
1994	166,816,850
1993	169,046,850
1992	170,940,618
1991	155,008,097
1990	160,750,000
1989	162,130,000

New Construction, Bank Deposits, and Property Values

Last Ten Calendar Years

(Unaudited)

Calendar Year	New Commercial Construction (1) Number of Units	New Commercial Construction (1) Value	New Residential Construction (1) Number of Units	New Residential Construction (1) Value	Bank Deposits (2) (in thousands)	Estimated Market Value of Property Values (3)
1997	121	$103,647,363	390	$37,712,868	$7,642,589	$12,613,995,420
1996	139	76,801,363	699	53,524,815	7,011,280	12,427,991,063
1995	385	160,185,622	295	47,756,865	6,267,311	11,429,475,213
1994	349	62,145,507	200	32,367,696	6,008,343	11,287,894,650
1993	434	57,199,428	200	26,511,285	6,224,997	11,520,652,980
1992	363	69,267,396	182	20,935,541	6,154,171	11,212,538,984
1991	294	62,444,141	157	21,823,647	6,274,839	11,763,726,462
1990	345	58,375,443	204	31,344,162	6,170,174	12,593,609,773
1989	108	35,951,916	282	18,986,669	6,355,493	12,647,045,474
1988	112	45,184,225	611	24,245,414	5,948,698	13,057,529,633

Sources :

(1) Department of Safety and Permits, Building Permit Report, City of New Orleans

(2) Summary of Deposits (as of June 30) - bank branches located in New Orleans, Federal Deposit Insurance Corporation

(3) Board of Assessors, Orleans Parish

Note : For the years 1990 through 1995, the amounts are on a permits issued basis, not a units issued basis as in the years 1988, 1989, 1996, and 1997.

ORLEANS PARISH SCHOOL BOARD

Table 15

Summary of Compensation Paid to School Board Members

Fiscal year ended June 30, 1998

(Unaudited)

Board Members	Salary	Travel	Total
Bill Bowers	$10,233	-	$10,233
Carolyn G. Ford	9,268	-	9,268
Cheryl Q. Cramer	3,951	72	4,023
Gail M. Glapion	9,637	90	9,727
Cheryl E. Mills	5,096	-	5,096
J. Berengher Brechtel	10,246	99	10,345
Tommy A. Vassel	5,243	-	5,243
Maudelle W. Cade	4,209	-	4,209
Scott P. Shea	9,637	-	9,637
TOTAL	$67,520	$261	$67,781

Note: Travel represents reimbursement for expenses of attending conventions.

ORLEANS PARISH SCHOOL BOARD

Child Nutrition Program

School Lunch and Breakfast Data

	1993-94	1994-95	1995-96	1996-97	1997-98
LUNCH - STUDENT PARTICIPATION					
Number of Schools Served	120	120	120	120	120
Number of Days Served	174	171	173	175	175
Free Lunches					
Number Served	8,981,029	8,839,534	8,648,001	8,854,740	8,839,884
Average Number Served	51,615	51,693	49,988	50,599	50,514
Reduced Lunches					
Number Served	365,166	374,407	345,642	361,699	368,220
Average Number Served	2,099	2,190	1,998	2,067	2,104
Full Price Lunches					
Number Served	736,506	683,615	651,778	625,178	627,946
Average Number Served	4,233	3,998	3,768	3,572	3,588
Total Served	10,082,701	9,897,556	9,645,421	9,841,617	9,836,050
Average Number Served	57,947	57,880	55,754	56,238	56,206
Average Daily Attendance	73,845	74,632	72,558	73,892	74,442
Number Served as Percentage of Daily Attendance	78.47	77.55	76.84	76.11	75.50
Price per Lunch to Students					
Full Price - Elementary	0.65	0.65	0.65	0.65	0.65
Full Price - Secondary	0.75	0.75	0.75	0.75	0.75
Reduced Price - Elementary	0.25	0.25	0.25	0.25	0.25
Reduced Price - Secondary	0.25	0.25	0.25	0.25	0.25
Lunch - Adult Participation					
Number Served to Adults	301,218	304,385	308,140	266,462	270,744
Average Number Served	1,731	1,780	1,781	1,523	1,547
Price per Lunch to Adults	2.25	2.25	2.25	2.25	2.25

Note: Does not include meals served for extended school year summer program.

	1993-94	1994-95	1995-96	1996-97	1997-98
BREAKFAST - STUDENT PARTICIPATION					
Number of Schools Served	116	117	120	120	120
Number of Days Served	174	171	173	175	175
Free Breakfasts					
Number Served	3,558,542	3,564,675	3,618,624	3,997,073	4,057,133
Average Number Served	20,451	20,846	20,917	22,840	23,184
Reduced Price Breakfasts					
Number Served	52,200	48,405	49,270	56,851	63,720
Average Number Served	300	283	285	325	364
Full Price Breakfasts					
Number Served	49,861	45,568	78,971	53,103	55,558
Average Number Served	287	266	456	303	317
Total Served	3,660,603	3,658,648	3,714,313	4,107,027	4,176,411
Average Number Served	21,038	21,396	21,470	23,469	23,865
Average Daily Attendance	72,477	72,890	72,558	73,892	74,442
Number Served as Percentage of Daily Attendance	29.03	29.35	29.59	31.76	32.06
Price per Breakfast to Students					
Full Price - Elementary	0.50	0.50	0.50	0.50	0.50
Full Price - Secondary	0.50	0.50	0.50	0.50	0.50
Reduced Price - Elementary	0.20	0.20	0.20	0.20	0.20
Reduced Price - Secondary	0.20	0.20	0.20	0.20	0.20
Breakfast - Adult Participation					
Number Served to Adults	150,917	144,303	160,326	137,545	137,530
Average Number Served	867	844	927	786	786
Price per Breakfast to Adults	1.10	1.10	1.25	1.25	1.25

Teachers' Retirement System of Louisiana
Analysis of Funding Progress

Last Ten Years
(in millions of dollars)
(Unaudited)

Fiscal Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
1997	$7,752.6	$12,077.6	64.2	$4,325.0	$2,337.5	185%
1996	7,056.6	11,232.8	62.8	4,176.2	2,253.3	185
1995	6,081.7	10,570.3	57.5	4,488.6	2,187.0	205
1994	5,694.6	9,928.5	57.4	4,233.9	2,180.3	194
1993	5,154.1	9,522.4	54.1	4,368.3	2,181.4	200
1992	4,473.6	9,046.0	49.5	4,572.4	2,155.8	212
1991	3,934.5	8,455.6	46.5	4,521.1	2,146.6	211
1990	3,587.1	7,808.0	45.9	4,220.9	2,033.5	208
1989	3,144.0	7,550.6	41.6	4,406.6	1,927.2	229
1988	2,944.8	7,085.4	41.6	4,140.6	1,833.0	226

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of Teachers' Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Teachers' Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system. For the 1991 and 1990 fiscal years, there were significant changes in the actuarial assumptions principally related to investment rate of return and utilization of more current mortality tables.

Source: Teachers' Retirement System of Louisiana Comprehensive Annual Financial Report - Fiscal Year Ended June 30, 1997.

Table 18

ORLEANS PARISH SCHOOL BOARD

Miscellaneous Statistical Data

June 30, 1998

(Unaudited)

Year of incorporation :	1841
Form of government :	School Board / President
Area of parish :	363.5 square miles with 199.4 square miles (54%) of land

Population : 496,938

Number of Schools		Enrollment	
Elementary	80	Elementary	48,872
Middle/Junior and Senior	36	Middle/Junior and Senior	34,137
Other	21	Other	715
Total	137	Total	83,724

Number of Teachers, Levels of Degree, and Years of Experience (*)

	Education	
Degree	Number of teachers	% of total
No Degree	6	0.14
Bachelor of Arts	2,706	61.17
Master's Degree	1,260	28.48
Master's + 30	412	9.31
Education Specialist	11	0.25
Doctorate	29	0.66
Total	4,424	100.00

	Experience	
Years of Experience	Number of teachers	% of total
0 - 5	894	20.21
6 - 10	538	12.16
11 - 15	529	11.96
16 - 20	714	16.14
21 - 24	693	15.66
25 - over	1,056	23.87
Total	4,424	100.00

(*) Excludes Librarians, Counselors, School Social Workers and Employees on Leave.

Orleans Parish School Board
New Orleans, Louisiana

Compliance with Single Audit Act Amendments of 1996
For the Year Ended June 30, 1998

Orleans Parish School Board
New Orleans, Louisiana

Compliance with Single Audit Act Amendments of 1996
For the Year Ended June 30, 1998

TABLE OF CONTENTS

ALLEN, GREEN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 6075
Monroe, LA 71211-6075

The CPA
Never Underestimate The Value

2414 Ferrand Street
Monroe, LA 71201
Telephone: (318) 388-4422
Facsimile: (318) 388-4664
Website: allengreencpa.com

2285 Benton Road
G.O.P. Building III, Suite 400
Bossier City, LA 71111
Telephone: (318) 741-0205
Facsimile: (318) 741-0207

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
Orleans Parish School Board
New Orleans, Louisiana

We have audited the financial statements and the combining and individual fund and account group statements and schedules of Orleans Parish School Board, New Orleans, Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated February 10, 1999, except for Note 12(c), as to which the date is March 8, 1999, and Note 13, as to which the date is March 31, 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 the 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 98-F1 and 98-F2.

Management Letter Items
We also noted certain immaterial instances of noncompliance which we have reported to management of the School Board in a separate letter dated February 10, 1999, included later in this report.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the 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 a certain matter involving the internal control over financial reporting 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 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 98-F3 and 98-F4.

Board Members
Orleans Parish School Board
New Orleans, 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 that the reportable conditions referenced above are not material weaknesses.

Management Letter Items

However, 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 February 10, 1999, included later in this report.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 10, 1999

Except for Note 12(c), as to which the date is March 8, 1999, and Note 13, as to which the date is March 31, 1999.

ALLEN, GREEN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 6075
Monroe, LA 71211-6075

ALLEN, GREEN & COMPANY
CPA
The CPA.
Never Underestimate The Value

2414 Ferrand Street
Monroe, LA 71201
Telephone: (318) 388-4422
Facsimile: (318) 388-4664
Website: allengreencpa.com

2285 Benton Road
G.O.P. Building III, Suite 400
Bossier City, LA 71111
Telephone: (318) 741-0205
Facsimile: (318) 741-0207

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 Internal Control Over Compliance in Accordance With OMB Circular No. A-133

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Compliance

We have audited the compliance of Orleans Parish School Board, New Orleans, Louisiana, 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, 1998. The 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, 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying schedule of findings and questioned costs as items 98-F5, 98-F6, and 98-F7.

Member: American Institute of Certified Public Accountants, Society of Louisiana Certified Public Accountants and American Institute of Certified Public Accountants Division for CPA Firms

Board Members
Orleans Parish School Board
New Orleans, Louisiana

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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements and the combining and individual fund and account group statements and schedules of the School Board, as of and for the year ended June 30, 1998, and have issued our report thereon dated February 10, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements and the combining and individual fund and account group statements and schedules 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 and the combining and individual fund and account group statements and schedules. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and the combining and individual fund and account group statements and schedules and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements and the combining and individual fund and account group statements and schedules taken as a whole.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 10, 1999

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Expenditures
CASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed Through Louisiana Department of Education:			
School Breakfast Program	10.553	Not available	$ 5,105,392
National School Lunch Program	10.555	Not available	17,565,908
Summer Food Program for Children	10.559	Not available	1,094,082
Total United States Department of Agriculture			23,765,382
United States Department of Education			
Direct Programs:			
Impact Aid (Title VIII)	84.041	Not applicable	1,072,215
Urban Community Service (Project Achieve)	84.252A	T291R50015-96	521,607
Project Respect Peace in Action	84.UKN	S184D60253	429,020
Passed Through Louisiana Department of Education:			
Adult Education - State Grant Program	84.002		365,423
Title I Grants to Local Educational Agencies	84.010	98-IASA-36-I, 97-IASA-36-I 96-057-36	30,225,930
Special Education:			
Grants to States (Part B)	84.027	98-FT-36, 97-FT-36	2,202,760
Preschool Grants	84.173	98-PF-36, 97-PF-36	303,163
Part H - Infant/Toddler	84.181	97-CIT3-36	26,280
Vocational Education:			
Basic Grants to States	84.048	28-98-36-2BG 28-97-36-3PA 28-97-36-2SP 28-97-36-2BG	579,594
Innovative Education Program Strategies - Title VI	84.298	98-IASA-36-VI 97-IASA-36-VI	575,225
Title II (Eisenhower Professional Development)	84.281	98-IASA-36-II 97-IASA-36-II	807,331
Title IV (Safe and Drug-Free Schools - State Grant)	84.186	98-IASA-36-IV 97-IASA-36-IV	1,067,432
Goals 2000			
State and Local Education Systematic Improvement Grants	84.276	Not available	241,904
Even Start - Family Literacy	84.314	98-IASA-36-ES	102,623
Education for Homeless Children and Youth	84.196	Not available	80,836
Migrant Education			
Basic State Grant	84.011	98-M-26-36-1	186,569
Emergency Immigrant	84.UKN		32,873
Total United States Department of Education			38,820,785

(Continued)

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Expenditures
CASH FEDERAL AWARDS			
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	Not available	$ 515,344
Title XIX	93.778	Not available	1,275,846
AIDS Activities	93.118	U62/CCU602856-01	216,834
Passed Through the Office of Family Support:			
Family Support Act - Project Independence	93.781		143,254
Total United States Department of Health and Human Services			2,151,278
United States Department of Labor			
Passed Through the City of New Orleans:			
Job Training Partnership Act (JTPA)	17.250	Not available	1,979
United States Department of Defense Direct Programs			
Department of The Army			
ROTC	12.UKN	Not applicable	669,068
National Science Foundation Direct Programs			
Urban Systemic Initiative	47.076	ESR9453014	2,738,924
Total Cash Federal Awards			$68,147,416
NONCASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed Through the Louisiana Department of Agriculture and Forestry:			
Food Distribution (Commodities)	10.550	Not available	$ 1,403,420
TOTAL FEDERAL AWARDS			$69,550,836

(Concluded)

Orleans Parish School Board
New Orleans, Louisiana

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Orleans Parish School Board, New Orleans, Louisiana. The Orleans 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 expenditures are reported in the School Board's general-purpose financial statements as follows:

	Federal Sources
General Fund	$ 3,017,129
Special Revenue Funds:	
IASA Funds	33,045,946
IDEA Funds	2,532,203
Other Federal Funds	5,786,756
Child Nutrition	25,168,802
Total	$69,550,836

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

The commodities received, which are noncash revenues, are valued using prices provided by the United States Department of Agriculture.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

PART I - Summary of the Auditors' Results

Financial Statement Audit

i. The type of audit report issued was qualified.

ii. There were reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

None of the reportable conditions disclosed were considered material weaknesses as defined by 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 were no reportable conditions required to be disclosed by OMB Circular No. A-133.

v. The type of report the auditor issued on compliance of major federal awards was unqualified.

vi. The audit disclosed audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).

vii. The major federal awards are:

CFDA #84.010	Title I Grants to Local Educational Agencies
CFDA #47.076	Urban Systemic Initiative

Cluster (as defined by OMB Circular No. A-133 Provisional Compliance Supplement)

Child Nutrition Cluster

CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program
CFDA #10.559	Summer Food Program for Children

Special Education Cluster

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

viii. Dollar threshold used to distinguish between Type A and Type B programs as defined in OMB Circular No. A-133, Section .520(b) was $2,086,525.

ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F1 Fixed Assets

Entity-wide or program/department-specific: This comment applies entity-wide.

Criteria or specific requirement: Louisiana Revised Statute 24:515 requires that Louisiana governments "Shall 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: In a haphazard sample, the following was noted:

Eighty-five percent of items selected from a listing of fixed assets provided by the school were accurately reflected on the listing and were located. The remaining items had errors in the information on the list, could not be positively identified, or could not be located. The following is a summary:

Three items were tagged twice.
One item was obsolete and should have been disposed of and removed from the list.
Two items were not tagged and could not be positively identified from other information on the list.
Six items could not be located.

Also, inquiries and observation performed indicate that the value assigned to new assets is based upon a purchase order rather than the invoice. As long as the invoice agrees to the purchase order, no problem exists. When the invoice does not agree to the purchase order, a problem can occur. Invoices which exceed purchase order amounts are investigated before payment and any amount above the purchase order is approved. This change is sent to fixed assets. However, if an invoice is received for less than the purchase order amount, the invoice is paid without further investigation. No change is sent to fixed assets, which causes the amount at which the asset is placed on the list to be overstated.

Proper perspective for judging the prevalence and consequences: Eight schools were selected for testing. At each school, ten items were chosen from the fixed asset listing provided by the School Board to be located at the location. While on location, an additional ten items were selected to be traced back to the listing.

Additions for fiscal year ended June 30, 1998, totaled $15,447,810, while total fixed assets were $449,679,189.

Possible asserted effect (cause and effect):

Cause: Procedures for recording fixed assets have not been followed in some instances. Additionally, the system in place could allow valuation to be incorrect.

Effect: Some locations' fixed asset listings are not complete and/or not accurate. As a result, internal control over fixed assets is weakened and financial reporting is not accurate.

Recommendations to prevent future occurrences: Each location responsible for reporting changes, both additions and deletions, should follow procedures closely. Central office personnel responsible for inputting these should input the changes timely and accurately. The preferred method of inputting the values is from an invoice rather than a purchase order. If a purchase order is to be the source document, then a system to report any differences between the purchase order amount and the invoice amount must be implemented including proper controls.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F2 Late Filing of Audit Report

Entity-wide or program/department-specific: This comment applies entity-wide.

Criteria or specific requirement: The Louisiana Legislative Auditor requires audit reports to be filed within six months of the year-end of the governments.

Condition found: The audit report as of and for the year ended June 30, 1998 was filed after the deadline.

Possible asserted effect (cause and effect):

Cause: The School Board engaged an independent auditor to perform the June 30, 1998 audit who was unable to complete the audit as a result of an independence issue arising in November of 1998. As a result, the School Board had to engage another independent auditor to complete the June 30, 1998 audit. However, there was insufficient time to complete the audit before the six month requirement.

Effect: The School Board has violated the Legislative Auditor's requirement to submit an audit report within six months of the year-end of the School Board.

Recommendations to prevent future occurrences: Although the circumstances surrounding the late filing were somewhat beyond the control of the School Board, there is no provision for an extension of the six month deadline. The School Board should file all audit reports within six months of their year-end in accordance with the Legislative Auditor's requirement.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F3 **Bank Reconciliations**

Entity-wide or program/department-specific: This is specific to the Workers' Compensation Internal Service Fund.

Criteria or specific requirement: Bank statements should be reconciled each month, in a timely manner, as an internal control over cash.

Condition found: Bank statements were not reconciled in a timely manner for two of the third-party administrator accounts in the Workers' Compensation Internal Service Fund.

Proper perspective for judging the prevalence and consequences: One of the two accounts had approximately $1,800,000 in deposits and $1,900,000 in withdrawals for the year recorded in the general ledger. The second had approximately $50,000 in deposits and $35,000 in withdrawals for the year recorded in the general ledger.

Possible asserted effect (cause and effect):

Cause: Low priority placed on bank reconciliations of these accounts.

Effect: The School Board has weak internal control over cash in the Internal Service Funds.

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

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F4 Recording of Workers' Compensation Benefit Payments

Entity-wide or program/department-specific: This is specific to the workers' compensation Internal Service Fund.

Criteria or specific requirement: Good internal control requires timely recording of transactions in the general ledger.

Condition found: A portion of the workers' compensation benefit costs incurred during the 1998 fiscal year were not recorded in the general ledger at June 30, 1998. Journal entries were made in July 1998 to adjust cash to the reconciled bank balance and to record a corresponding expense for benefits.

Proper perspective for judging the prevalence and consequences: The Workers' Compensation Fund had expenses of $3,165,760 for the year ended June 30, 1998. Of this amount, $1,484,086 was recorded by journal entries in July 1998.

Possible asserted effect (cause and effect):

Cause: Low priority placed on recording these transactions timely.

Effect: The general ledger for the workers' compensation Internal Service Fund was not accurate until these journal entries were made.

Recommendations to prevent future occurrences: A journal entry should be made each month to record the expense.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F5 Semi-Annual Payroll Certifications

Federal program and specific federal award identification:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Federal Award Year
United States Department of Agriculture			
Passed Through the Louisiana Department of Education:			
National School Breakfast Program	10.553	None	1998
National School Lunch Program	10.555	None	1998
United States Department of Education			
Passed Through the Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	98-IASA-36-I, 97-IASA-36-I	1998
		96-057-36	1998
Individuals with Disabilities Education Act (IDEA):			
Part B - Regular Education	84.027	98-FT-36, 97-FT-36	1998
Preschool Grants	84.173	98-PF-36, 97-PF-36	1998

Criteria or specific requirement: OMB Circular No. A-87, "Cost Principles for State, Local and Indian Tribal Governments," Attachment B, Section 11(h)(3), which states that "Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

Condition found: The required certifications described above were not obtained during the 1997-98 fiscal year.

Identification of questioned costs and how they were completed: Questioned costs cannot be determined.

Proper perspective for judging the prevalence and consequences: The finding is a systemic problem and applies to the salary costs of the related programs.

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: 98-F5 Semi-Annual Payroll Certifications (Continued)

Possible asserted effect (cause and effect):

Cause: Time constraints and workload considerations prohibited the School Board from completing certifications.

Effect: Salary costs could be charged to a program for personnel who did not provide program services.

Recommendation to prevent future occurrences: The School Board should implement a policy requiring all federal program directors to maintain compliance with the applicable sections of No. A-87. In addition, each federal program director should establish a policy and a procedure to obtain the required certifications in the appropriate formats and establish a control (for example, a reporting control to the Budget Department stating that all certifications were completed).

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F6 Unemployment Compensation Allocations

Federal program and specific federal award identification:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Federal Award Year
United States Department of Agriculture			
Passed Through the Louisiana Department of Education:			
National School Breakfast Program	10.553	None	1998
National School Lunch Program	10.555	None	1998
United States Department of Education			
Passed Through the Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	98-IASA-36-I, 97-IASA-36-I	1998
		96-057-36	1998
Individuals with Disabilities Education Act (IDEA):			
Part B - Regular Education	84.027	98-FT-36, 97-FT-36	1998
Preschool Grants	84.173	98-PF-36, 97-PF-36	1998

Criteria or specific requirement: The revised OMB Circular No. A-87, "Cost Principles for State, Local and Indian Tribal Governments," Attachment B, Section 11(d) states that "(1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F6 Unemployment Compensation Allocations (Continued)

Criteria or specific requirement: (Continued)

(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental units" and "(5) the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 25, Insurance and Indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities."

Condition found: The U. S. Department of Education has reviewed the School Board's procedures for charging unemployment insurance and has questioned the support for the method of allocation for the period 1992 to 1995. The School Board received a report and has been assessing the recommendations in the report. The School Board is commercially insured for unemployment insurance and charges federal programs based on rates provided by its insurer. The School Board has maintained its method of charging unemployment insurance through June 30, 1998. The School Board has implemented a single-rate cost allocation effective July 1, 1998, as per pending agreement with the U. S. Department of Education.

Identification of questioned costs and how they were computed: Questioned costs cannot be determined. Unemployment insurance was provided to personnel participating in the above major programs and an agreed-upon process to charge unemployment insurance has been determined between the U. S. Department of Education and the School Board.

Proper perspective for judging the prevalence and consequences: The finding is a systemic problem and applies to the unemployment insurance costs of the related programs.

Possible asserted effect (cause and effect):

Cause: The School Board believed that charges under the method of allocation from 1992 to 1995 were reasonable, although it appears that some federal programs may have been charged more than their pro rata share.

Effect: The School Board is in violation of the provisions in Circular A-87 concerning allowable costs as related to unemployment and worker's compensation costs.

Orleans Parish School Board
New Orleans, Louisiana

Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 1998

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: 98-F7 Allocation of Directors Salary

Federal program and specific federal award identification:

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Federal Award Year
United States Department of Agriculture			
Passed Through the Louisiana Department of Education:			
National School Breakfast Program	10.553	None	1998
National School Lunch Program	10.555	None	1998
Summer Food Service Program for Children	10.559	None	1998

Criteria or specific requirement: OMB No. A-87 "Cost Principles for State, Local and Indian Tribal Governments" attachment B, states "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on a federal award and a non-federal award."

Condition found: The director for Child Nutrition is also the acting director of the Purchasing Department. Her salary and fringe benefits are charged 100% to the Child Nutrition program.

Identification of questioned costs and how they were computed: Questioned cost cannot be determined.

Proper perspective for judging the prevalence and consequences: Total salary and benefits charged for the fiscal year ended June 30, 1998, were $69,239.28.

Possible asserted effect (cause and effect):

Cause: The General Fund transfers funds to the Child Nutrition Special Revenue Fund to cover cost overruns incurred in administering the program.

Effect: It appears the Child Nutrition program has been overcharged for the director's salary and benefits.

Recommendations to prevent future occurrences: The director should document time spent on Child Nutrition and only that portion of salary and benefits should be charged to Child Nutrition.

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 Orleans 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.

Orleans Parish School Board
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings
June 30, 1998

Reference # and title: **97-1** **Semi-Annual Payroll Certifications**

Initially occurred: June 30, 1997.

Condition and planned corrective action: This finding is considered unresolved and has been repeated as item 98-F5 in the Current-Year Schedule of Findings and Questioned Costs.

Reference # and title: **97-2** **Unemployment and Workers' Compensation Allocations**

Initially occurred: June 30, 1997.

Condition and planned corrective action: This finding is considered unresolved and has been repeated as item 98-F6 in the Current-Year Schedule of Findings and Questioned Costs.

Orleans Parish School Board
New Orleans, Louisiana

Corrective Action Plan for Current-Year Findings and Questioned Cost
As of and for the Year Ended June 30, 1998

Reference # and title: 98-F1 Fixed Assets

Condition: In a haphazard sample, the following was noted:

Eighty-five percent of items selected from a listing of fixed assets provided by the school were accurately reflected on the listing and were located. The remaining items had errors in the information on the list, could not be positively identified, or could not be located. The following is a summary:

Three items were tagged twice.
One item was obsolete and should have been disposed of and removed from the list.
Two items were not tagged and could not be positively identified from other information on the list.
Six items could not be located.

Also, inquiries and observation performed indicate that the value assigned to new assets is based upon a purchase order rather than the invoice. As long as the invoice agrees to the purchase order, no problem exists. When the invoice does not agree to the purchase order, a problem can occur. Invoices which exceed purchase order amounts are investigated before payment and any amount above the purchase order is approved. This change is sent to fixed assets. However, if an invoice is received for less than the purchase order amount, the invoice is paid without further investigation. No change is sent to fixed assets, which causes the amount at which the asset is placed on the list to be overstated.

Corrective action planned: Since 1996, the School Board has been continuously strengthening its fixed asset accounting procedures. This has included Board adoption of a new Board policy and procedures, additional school site staffing - twenty-seven itinerant business managers, fixed asset inventory testing, and the implementation of a bar coding system planned for April - June 1999. Additionally, hiring is underway for an additional twenty business managers whose duties will include fixed asset accounting.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114

Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Orleans Parish School Board
New Orleans, Louisiana

Corrective Action Plan for Current-Year Findings and Questioned Cost
As of and for the Year Ended June 30, 1998

Reference # and title: **98-F2** **Late Filing of Audit Report**

Condition: The Louisiana Legislative Auditor requires audit reports to be filed within six months of the year-end of the governments. The audit report as of and for the year ended June 30, 1998 was filed after the deadline.

Corrective action planned: As in the past, the School Board and staff will continue to follow the Louisiana Legislative Auditor guidelines, the federal Single Audit requirements, and its established procedures for cooperation in having the audited financial statements completed within six months of fiscal year-end, or December 31. The School Board has a long record of successfully and timely satisfying the requirements. The delay until March 22, 1999 to complete and present the audit to the School Board for the fiscal year ended June 30, 1998, was caused by a litigation matter that surfaced in November 1998 and required a search for appointment of a new audit firm.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114

Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: Prior to December 31, annually.

Reference # and title: **98-F3** **Bank Reconciliations**

Condition: Bank statements were not reconciled in a timely manner for two of the third-party administrator accounts in the Workers' Compensation Internal Service Fund.

Corrective action planned: Management had previously discovered the lack of timeliness in this area. To improve controls and supervision over this important function, effective October 1998, this responsibility was assigned to the Finance Department. Bank reconciliation staff members have incorporated this function within their regular duties. Within the Finance Department, all other bank accounts have been reconciled regularly on a monthly basis.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114

Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Orleans Parish School Board
New Orleans, Louisiana

Corrective Action Plan for Current-Year Findings and Questioned Cost
As of and for the Year Ended June 30, 1998

Reference # and title: 98-F4 Recording of Workers' Compensation Benefit Payments

Condition: A portion of the workers' compensation benefit costs incurred during the 1998 fiscal year were not recorded in the general ledger at June 30, 1998. Journal entries were made in July 1998 to adjust cash to the reconciled bank balance and to record a corresponding expense for benefits.

Corrective action planned: Again to improve controls, effective October 1998, the accountant assigned to this area has been transferred to the Finance Department. Procedures will be established to ensure that the journal entries to record the expense are prepared and posted on a monthly basis.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114

Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Reference # and title: 98-F5 Semi-Annual Payroll Certifications

Condition: OMB Circular No. A-87, "Cost Principles for State, Local and Indian Tribal Governments," Attachment B, Section 11(h)(3), which states that "Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

The required certifications described above were not obtained during the 1997-98 fiscal year.

Corrective action planned: Verification requests were sent to staff during early 1998; a number of verifications were received. Due to heavy work load of staff, follow-up to achieve 100% completion of the verifications was not accomplished. Recently, verification requests have been sent to all staff. A second verification will be sent before end of year. The compliance is being included as part of the School District's Fiscal Monitoring Procedures for Externally Funded Programs publication, which is distributed to all program coordinators.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114

Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Orleans Parish School Board
New Orleans, Louisiana

Corrective Action Plan for Current-Year Findings and Questioned Cost
As of and for the Year Ended June 30, 1998

Reference # and title: **98-F6** **Unemployment Compensation Allocations**

Condition: The U. S. Department of Education has reviewed the School Board's procedures for charging unemployment insurance and has questioned the support for the method of allocation for the period 1992 to 1995. The School Board received a report and has been assessing the recommendations in the report. The School Board is commercially insured for unemployment insurance and charges federal programs based on rates provided by its insurer. The School Board has maintained its method of charging unemployment insurance through June 30, 1998. The School Board has implemented a single-rate cost allocation effective July 1, 1998, as per pending agreement with the U. S. Department of Education.

Corrective action planned: During the 1998-99 fiscal year, the School Board has been working with the U. S. Department of Education to reach agreement as to the allocation of unemployment compensation charges. At the current time, an agreement is pending to resolve this matter. As part of the proposed agreement, effective July 1, 1998, the School Board adopted a single rate that is applied to all funds and programs for unemployment cost. The School Board will comply with all provisions of the final agreed-upon resolution.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114
Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Reference # and title: **98-F7** **Allocation of Directors Salary**

Condition: The director for Child Nutrition is also the acting director of the Purchasing Department. Her salary and fringe benefits are charged 100% to the Child Nutrition program.

Corrective action planned: We agree that theoretically the salary cost should be allocated; however, the General Fund has subsidized the Child Nutrition Fund for any cost overruns. These subsidies would exceed the salary cost for the Child Nutrition Director. Effective February 8, 1999, the Child Nutrition Director is no longer splitting time with the Purchasing Department duties. To accurately present costs, a review will be made of time spent during fiscal 1999 through February 8 by the Director for General Fund activities and the Child Nutrition Program. Based on this study, an entry will be made to charge the General Fund for its portion of the expense.

Person responsible for corrective action:
Mr. Anthony J. Stoltz, Comptroller
Orleans Parish School Board
3510 General DeGaulle Drive
New Orleans, LA 70114
Telephone: (504) 365-5425
Fax: (504) 365-5414

Anticipated completion date: During fiscal year ending June 30, 1999.

Management Letter Items

ALLEN, GREEN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 6075
Monroe, LA 71211-6075

ALLEN, GREEN & COMPANY
CPA
The CPA.
Never Underestimate The Value

2414 Ferrand Street
Monroe, LA 71201
Telephone: (318) 388-4422
Facsimile: (318) 388-4664
Website: allengreencpa.com

2285 Benton Road
G.O.P. Building III, Suite 400
Bossier City, LA 71111
Telephone: (318) 741-0205
Facsimile: (318) 741-0207

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

Margie Williamson, CPA

Management Letter

Board Members
Orleans Parish School Board
New Orleans, Louisiana

In planning and performing our audit of the general-purpose financial statements of the Orleans Parish School Board, New Orleans, Louisiana, for the year ended June 30, 1998, we considered the School Board's internal control structure 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 structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated February 10, 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 structure 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:

Reference # and title: 98-M1 OMB Circulars A-133 and A-87

Comment: Effective for the 1997 fiscal year, OMB's new Circular No. A-133 and OMB Circular No. A-133 Compliance Supplement, are effective for governmental entities receiving federal funds. In addition, revisions to OMB Circular No. A-87, which established allowable costs and the procedures related to those costs for governmental entities, also became effective in fiscal year 1997.

The new publications focus on compliance requirements as well as the expected controls for governmental entities receiving federal funds to have in place. No. A-87 established new requirements for costs that were previously allowable.

The School Board received approximately $70 million in federal funds in fiscal year 1998. Violations of OMB procedures and requirements could result in questioned costs and pay back of amounts expended.

Recommendation: In order to better ensure compliance with key procedures and significant requirements, the Board and the Superintendent should consider requesting Internal Audit to perform compliance and control test work to identify and correct potential problems.

Management's response: There is a need to ensure adequate understanding of and compliance with OMB Circulars No. A-133 and A-87. However, due to shortages in staffing in the Internal Audit Department during 1998-99, it was necessary to postpone the compliance review. The current external auditors have not identified any additional noncompliance areas. Therefore, in the meantime, the comptroller will designate staff to document compliance with these Circulars. The target date to complete this review is September 30, 1999.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Reference # and title: **98-M2** **School Activity Funds**

Comment: Uniform procedures and requirements for School Activity Funds accounting are described in the *School Activity Funds Accounting, Auditing, and Financial Reporting* handbook issued by the Louisiana legislative auditor. The policies and controls adopted by the Orleans Parish School Board concerning School Activity Funds should be based on the information provided in this manual.

As part of our auditing procedures, eight schools were haphazardly selected to review the accounting records and internal control structure at each school. The following were noted:

1. One school did not issue receipts for money received during the 1997-98 school year.

2. One school made deposits on an average of once or twice per month during the 1997-98 school year. Another school made deposits only twice per month.

3. Six schools allowed cashing of personal checks from funds on hand.

The Internal Auditing Department of the Orleans Parish School Board also performs reviews of School Activity Funds as a portion of their normal responsibilities. The prior-year auditor noted that there have been repeated findings noted in these reports for the past several years which have not been corrected by the personnel responsible for the accounting at the schools. Our review of the reports that had been issued at the time of field work supports this conclusion. The type of findings noted in the reports issued by Internal Auditing during our review included, but were not limited to:

- Daily deposits not made
- Incomplete check requests
- Lack of sufficient documentation to trace receipts
- Financial reports not signed
- Disbursements >$1,500 not approved by area superintendent
- Checks having only one signature
- Employee sign-in sheets not signed by employees
- Employee tardy time not recorded correctly
- Fund-raising activities not having proper approval
- Problems with fixed assets

The result of the deficiencies is that internal control is weakened over school activity fund accounting since procedures described in both the handbook and Board policies are not being followed.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Recommendations: Employees responsible for accounting for School Activity Funds should be familiar with the procedures and requirements of the *School Activity Funds Accounting, Auditing, and Financial Reporting* handbook and the policies of the School Board which are based on the handbook. These should be followed at all times.

Management's response: This matter is being addressed in the strategic plan for school site business services. The plan encompasses additional staffing funding authorized for forty-seven business managers, increased monitoring of school activity accounting (implemented in October 1998), comprehensive training for principals and business managers, an increase in internal audit staff (two auditors), an assistant comptroller (hired July 1998), revised school activity policy and procedure manual, and on-line access to the school accounting records (July 1999).

Reference # and title: 98-M3 Incurred but Not Reported Claims and Litigated Claims

Comments: In the prior auditor's management letter, they indicated three concerns noted in a review of insured areas. Our review of these areas indicate that two of these concerns still exist. The two concerns are:

Item 1. All payments to third-party administrators are charged to the Workers' Compensation Fund during the year; at year end, reclassifications of payments are made to record the appropriate amounts in the Other Insurance Fund.

Item 2. Duplication of claims existed on the third-party claims administrator's (TPA) report and the attorney letters.

Recommendations:

Item 1. We agree with the prior auditor's recommendation that coding of expenses to the appropriate fund should be performed at the time of the accrual and/or payment.

Item 2. We agree with the prior auditor's recommendation that a review be performed of both the TPA report and attorney claim reports on a quarterly basis to identify duplications and to provide management and the Finance Division with an accurate estimate of litigated claims settled and claims pending. We also agree that consideration should be given to communicating with the TPA regarding those cases being handled by School Board attorneys to prevent duplication of effort.

Management's responses:

Item 1. Fees for third-party administrators for workers' compensation are charged to the Workers' Compensation Fund. However, most other administrative costs of the Risk Management Department were also being charged to the Workers' Compensation Fund. Effective for the year-end June 30, 1998, these costs are allocated, as applicable, to the various Internal Service Funds.

Item 2. The Claims Supervisor has entered all cases on a spreadsheet to facilitate monitoring and review of cases reported by third-party administrators. This information is reviewed by the Risk Management Accountant. This has resulted in a reduced number of duplicated claims. Also, improved claim reporting software is used by the new TPA firm which was appointed effective September 1, 1998.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Reference # and title: **98-M4** **Due To/From Accounts**

Comment: Virtually all of the funds of the School Board have due to or due from accounts from other funds. The General Fund has the most significant dollar values in these accounts for several reasons, such as its funding of the School Board's federal program needs until reimbursement is received from the federal or state pass-through agencies.

Recommendation: To better monitor the cash flow and actual cash needs, due to and due from accounts should be settled on a timely basis throughout the year.

Management's response: During 1997-98, staff implemented more frequent settlement of due to/from balances. For 1998-99, a specialized procedure will be developed to settle due to/from balances on a monthly basis.

Reference # and title: **98-M5** **Increased Oversight of Construction Activity**

Comment: With over $175 million of bond proceeds received in recent years, the School Board will have significant construction activity. With the expansion of the efforts in this function comes increased risk.

Recommendation: We recommend consideration by the Board and management to the increased involvement of the Internal Audit Department and the development of audit plans to address specific higher-risk areas. As the audits are conducted, timely feedback should be provided to management to improve and strengthen construction processes and procedures and reduce the risk of non-compliance.

Management's response: Internal Audit will be requested to prepare an appropriate plan and to execute audits of construction activity relating to these bond issues. In addition, the Director of Facility Planning Department has requested an audit of service performance, and that the billings of the construction management firm for CIP-III be reviewed.

Reference # and title: **98-M6** **Utilities Charges to the Child Nutrition Program**

Comment: During 1998-99, a review of utility consumption and costs should be made in conjunction with the utility companies or an engineering or energy consultant to determine the appropriate portion of the cost to be charged to the Child Nutrition Program. The results of this study will be reviewed with the Louisiana Department of Education, the primary recipient.

Recommendation: This study should be updated on a periodic basis and approved by the primary recipient.

Management's response: A review of utility consumption and costs will be made in conjunction with the utility companies or an engineering or energy consultant to determine the appropriate portion of the cost to be charged to the Child Nutrition program. This will be implemented by September 30, 1999.

Reference # and title: **98-M7** **Arbitrage Monitoring**

Comment: The School Board recently issued several bond issues. The School Board has received current arbitrage reviews on only two of its issues.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Recommendation: The School Board should develop a time line on when arbitrage reports should be obtained for all bond issues to detect potential liabilities in a timely fashion and also to assist with cash management.

Management's response: Staff and Bond Counsel have been reviewing the activity within the Debt Service Fund on a continuous basis. At June 30, 1998, the Debt Service Fund had a fund balance of $7.5 million. Based upon bond interest costs, property tax revenue, investment earnings and principal retirement needs, the Debt Service Fund will be able to satisfy any potential refundable investment earnings because of arbitrage.

Reference # and title: 98-M8 Certain Costs may be Allowable Federal Program Costs

Comment: OMB Circular No. A-87 provides guidelines concerning allowable cost under federal awards. Currently certain allowable costs are being paid by the General Fund, such as post-retirement benefits.

Recommendation: The School Board should review allowable costs that can be charged to federal programs that are currently being paid by the General Fund. Written clarification of uncertain areas should be obtained from its granting agencies.

Management's response: The Finance Department will do a review of allowable costs under OMB No. A-87 that can be charged to federal programs but that are currently paid by the General Fund and not reimbursed under the state's indirect cost program. For any uncertain areas, written guidance will be obtained from the granting agencies.

Reference # and title: 98-M9 Federal Project Completion Reports and Requests for Reimbursement

Comment: Federal project completion reports filed with the Louisiana Department of Education are designed to give the pass-through agency an accurate picture of funds expended under certain federal awards on a cost-reimbursement basis. The Title I project completion report for program 98-057-36 reported an incorrect amount for funds disbursed. Outstanding purchase orders were included in the figure shown as the amount disbursed, causing the amount to be overstated by the amount of purchase orders issued but not filled by September 30, 1998.

Recommendation: All amounts to be included in a particular award should be disbursed or obligated by the closing date of the award. Within three months, all obligated funds as of that date should be liquidated and a project completion report should be filed. Funds disbursed should only include those amounts disbursed as of the close of the project and the liquidated portion of funds that were obligated as of the close of the project. Should any amounts exist that were obligated at the close of the award but which have not been liquidated, they should be shown as unobligated and not requested.

Management's response: The Budget Department will review its procedures and reinforce the staff's understanding of the request for reimbursements filing guidelines, eligible expenses and liquidation deadlines.

Reference # and title: 98-M10 Untimely Filing of Reimbursement Claims Made Under Federal Grants and Awards

Comment: During testing of receipts performed by Allen, Green & Company, and through conversations with the Louisiana Department of Education (LDOE), it appears that some requests for reimbursement are not being filed on a timely basis. This causes concern for two reasons.

First, LDOE began enforcing a requirement to have a final completion report filed with LDOE within 90 days of the ending effective date of a federal award for programs on a cost-reimbursement basis. This requirement is based on EDGAR Subpart D, Section 80.50. Under this requirement, all funds disbursed and obligated at the ending effective date of the program will have to be liquidated and requested within 90 days. Funds not requested within 90 days may be permanently lost.

Considering the size of some of the School Board's state and federal awards, a second concern is idle funds. By the very nature of a cost reimbursement program, the School Board loses interest on the monies paid out by the general fund on these state and federal programs until it is reimbursed by the agency and reinvested. By not filing request timely, a significant loss of interest is occurring. A conservative estimate of the lost interest revenue could easily be several hundred thousands of dollars.

The main cause of these delays seems to be a lack of personnel making requests for state and federal programs. One employee makes requests for all Special Revenue Funds, which include local, state, and federal programs. Considering the size of Orleans Parish School Board, this seems to be a considerable amount of work for one person to complete timely.

Recommendation: The School Board should examine the reasons for delays in filing requests for reimbursements and make corrections to ensure that requests are filed timely. It is recommended that additional personnel be assigned to assist in making requests for cost reimbursement programs.

Management's response: At June 30, 1998, requests for reimbursement were delayed pending the negotiations with the U. S. Department relative to the unemployment cost allocation issue. However, we agree with the external auditors that additional staff would be helpful. There are over thirty programs and the time required for accounting, budgeting, financial management and meetings with program coordinators make it difficult to complete all tasks on a timely basis throughout the year. A budget request will be made for an additional position to assist in processing reimbursements and other accounting tasks.

Reference # and title: 98-M11 Increase in Occurrence of Litigation

Comment: *From our review of litigation claims and from discussion with the Board's attorney, it appears that* occurrences of legal claims filed against the School Board have increased over the last few years. It is unclear if there are definitive reasons for the apparent increase. The effect of this trend is that the School Board is facing a large liability for litigation claims. Administering and responding to the litigation claims have required heavy staff involvement.

Recommendation: The School Board should consider making an examination of the circumstances surrounding these claims. The School Board's policies and procedures should be a central point of this examination. Training for personnel in administrative/managerial positions should also be a consideration.

If cost effective, policy and procedure changes and training should be utilized to help reduce the high occurrence rate of lawsuits.

Management's response: A thorough review of the litigation will be made to determine the primary causes. Based upon the causes that are identified, a strategy will be developed to minimize and/or prevent reoccurrences. Policy and procedures and training programs will be utilized as needed.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Reference # and title: **98-M12** **Fixed Assets**

Comment: In item 98-F1 of the schedule of findings and questioned costs, problems encountered with the fixed assets listing and concerns over the valuation of the assets on the listing are discussed. As of the date of this letter, the School Board is in the process of issuing requests for proposals to have a consultant perform a complete physical inventory of the system's fixed assets, place bar code tags on each asset, and assist the School Board in resolving discrepancies between the old and new fixed asset system. This service is a positive and needed step. However, this service will only address the issues of whether the listing is complete and accurate as to the existence and location of the assets. Additionally, the list will only be accurate as of a specific date. Many fixed assets transactions will occur in the school system in subsequent months and must be accounted for correctly for the listing to remain accurate. Furthermore, this service will not address issues such as historical cost on which the listing is based.

Another issue impacting fixed assets accounting involves the Governmental Accounting Standards Board (GASB) which determines the standards of financial reporting for governmental entities. The GASB is planning to release a new reporting model shortly which, as currently proposed, will dramatically change several aspects of the financial reporting of the School Board. One of these aspects will be accounting for the fixed assets owned by the School Board. The new reporting model will require assets to be capitalized, shown on the balance sheet within the fund activities, and depreciated just as commercial entities currently do. The changes proposed by the GASB will require some fundamental changes in the fixed asset system and will obviously require a greater emphasis on fixed asset accounting.

Recommendation: We believe that it is very important that the bar coding project not be viewed as a cure-all for the fixed assets. We also believe that management of the School Board understands this and is in agreement. The bar coding project and the recommendations discussed in item 98-F1 of the schedule of findings and questioned costs will be a positive step to help ensure accountability and control over fixed assets. We encourage the School Board to examine this area very closely and take additional steps as needed. As a part of this examination, the School Board should begin consideration of the changes to the system which will be required when GASB releases the new reporting model.

Management's response: The bar coding project is an additional step in the strengthening of fixed asset controls. Other steps to increase the control environment have included a revised policy and new procedure manual, additional internal auditors, authorization for forty-seven school site business managers, and an updated fixed asset accounting system. The latter will be installed effective for fiscal year 2000 and will include fixed asset depreciation capability to comply with the new reporting model requirements. Also, we will address the other changes required under the new GASB reporting model.

Reference # and title: **98-M13** **Changes to Accounting System**

Comment: As of the date of this letter, the School Board is undergoing a complete overhaul of the accounting hardware and software system, replacing all hardware and software. This overhaul presents a prime opportunity for the School Board to initiate changes in areas which operate inefficiently or which pose internal control problems.

Recommendation: Some areas which we would suggest improvements include:

1. The old accounting system either does not have the capability to or is not being utilized to segregate different activities into funds. For example, the School Board receives many federal, state, and local grants which are accounted for as special revenue funds. Each of these activities are restricted and accounting

for each should be maintained separately. The old system does assign an unique number (source of funds) for each of these programs to allow revenues and expenditures to be segregated. However, balance sheet accounts are not included in this segregation.

Part of the reasoning behind this is that the School Board does not view each of these individual activities as a fund. Instead, many activities (sources of funds) are grouped together and comprise what is considered a fund on the system. In actuality, the general ledger accounting is more consolidated than what the CAFR and other financial reporting of the School Board indicate. For example, the School Board only has three special revenue funds on the general ledger, but reports five in the CAFR. In addition, only one of the three funds on the general ledger actually corresponds to one of the five in the CAFR. The remaining two on the general ledger are first combined into one, and then is split into four funds on the CAFR.

This situation is not limited to special revenue funds. The capital project funds have one fund on the general ledger, but by the same procedure of utilizing source of funds and spreadsheets break this fund into ten separate activities. These ten activities are then consolidated into five funds in the CAFR. Similarly, the debt service funds have one fund on the general ledger, seven activities, and seven funds in the CAFR while internal service has one fund on the general ledger, ten active and several other inactive activities, and five funds in the CAFR.

Additionally, because the segregation of balance sheet accounts is not accounted for on the general ledger for each activity (as described above), a complete trial balance cannot be generated for each of the activities. To generate a complete trial balance, the School Board must utilize a spreadsheet to break out the balance sheet accounts into each source of funds.

We feel that this situation causes much confusion for the School Board's accountants and could lead to incorrect reporting between activities. In addition, the system is not providing information which we believe could be very beneficial to management and could help the School Board operate more efficiently. We recommend that each of these activities be set up as a separate fund on the new system. Doing so will eliminate confusion and allow the printing of a complete trial balance.

2. Currently, all cash held by the Special Revenue Funds is shown in the General Fund on the general ledger. A corresponding interfund receivable in the special revenue fund and an interfund payable in the general fund are recorded. This does not provide an accurate picture of who owns the cash and could mislead someone as to the liquidity of the fund even though the interfund transaction is recorded. Recording the cash in the special revenue fund will also improve internal control. We recommend that cash be recorded on the general ledger in the fund which owns the cash.

<u>Management's response</u>:

1. Under the new accounting system, separate balance sheet accounting by fund will be utilized. This method will facilitate the preparation of automated trial balances and financial statements properly from the accounting system.

2. The current grant award procedures for more than ninety percent of the School Board's externally funded programs operate on a cost reimbursement basis. That is, the School Board must file requests for reimbursement for allowable costs after the expenditures are incurred. Therefore, in most cases, the

individual programs will always have a negative cash balance. This would generate new accounting issues besides the current concern.

<u>Reference # and title</u>: <u>98-M14</u> <u>Insurance</u>

<u>Comment</u>: The School Board is self-insured in several areas, with excess commercial coverage.

<u>Recommendation</u>: In review of the self-insurance fund activities and accounting, the prior auditor recommended consideration of a couple of items. We agree that these items should be considered.

- The School Board uses third-party claim adjusters (TPA) to process claims. Current procedures should be expanded to ensure that claim reserves are reasonable and appropriate and relate to current cases. The review of reserves provided by the TPA should include a determination that the liability reserves set by Board attorneys are not duplicated in the liability reserves set by the TPA. The TPAs should also be requested to provide electronic access of their data to assist the School Board in analyzing its claim exposure.

- The School Board uses several insurance experts to assist it in determining incurred-but-not-reported claims as well as outstanding claims. Some of the estimates derived relate to older years. For example, for fiscal year 1998 the reserve for workers' compensation related to the years 1973-84 was $452,143. The School Board should perform a detailed review of all of these estimates, attempt to consolidate the expert services, and determine if old claims should be settled.

<u>Management's response</u>:

- A claims supervisor has been hired to ensure the quality, accuracy and timeliness of claims, and claim reserves. Also, a networked claim system software search is under way to facilitate management of data and communication. During 1998-99, the software will be purchased to provide the ability to monitor the data.

- As indicated in prior response, this review will be done by the Claims Supervisor who was recently hired. A consolidation of these services is under way with the new TPA which began service in September 1998.

<u>Reference # and title</u>: <u>98-M15</u> <u>Inventory</u>

<u>Comment</u>: The School Board does not have procedures to maintain perpetual records or physical counts of the auxiliary warehouse, which contains primarily obsolete and donated items.

<u>Recommendation</u>: To ensure proper safeguard controls, accounting procedures should be developed.

<u>Management's response</u>: An inventory system was established during fiscal 1997 by the warehouse staff. The Finance Department will continue to monitor this system and its reports to ensure that the accounting procedures have proper safeguards.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

Reference # and title: **98-M16** **Improving EDP Controls**

Comment: The prior management letter contained several recommendations from the prior auditor concerning EDP controls as listed below:

Recommendation: Although initial long-range planning has been started, the School Board needs to formalize its data processing planning for both its short-term and long-term plans. With hardware processing capacity concerns, disaster recovery needs, software considerations and staffing issues, the School Board needs to first determine what the required EDP functions are, what hardware will best serve these functions and then review the software options available.

Some of the initiatives in this assessment process have begun. While we recognize the School Board's limited resources, the benefits of the results of this process to the School Board are significant, especially with the increasing/changing state and federal government requirements. Management of the School Board should initiate a formal assessment, identifying the areas of EDP functions and the structure of EDP framework, and then determine what type of hardware best provides the capacity and efficiencies to service the framework needed. A Request for Proposals should then be prepared for hardware, after which software issues should be addressed.

The School Board's management should review the current organization within the Computer Services Department for adequacy of staffing and take appropriate action to ensure quality performance of tasks assigned. Special emphasis should be placed on the staffing of:

- The Applications Development Section, and
- Systems Programming.

The School Board should take steps to invest in an alternative "emergency" processing agreement with a disaster recovery processing provider.

The School Board needs to develop a long-range data processing plan to be used in determining when technology should be used to meet the goals of a three-to-five year planning horizon. The plan should be reviewed and updated annually.

The School Board should explore all options available to deal with its mainframe processing capacity issues. Few new software upgrades and applications will be able to be implemented by the School Board until these capacity issues are resolved.

The School Board should continue its efforts to find a replacement for their payroll application. However, this may not be feasible until hardware processing capacity issues are resolved.

The School Board does not have an uninterruptable power supply (UPS) in its current system configuration. A UPS provides for continuous power in the event of a spike or other type of electrical service disruption. The School Board should consider investing in a UPS to protect itself from unexpected power fluctuations.

Management's response: During 1996-97, a consulting firm was selected, a long-range information system project was initiated and work had almost reached the point of sending out RFPs for hardware and software. During 1997-98, permission to issue debt for a portion of the funding of the estimated cost of the project was approved by the State Bond Commission. Hardware and software selections were made and approved by the School Board early in the 1998-99 fiscal year. Funding was allocated, including issuance of $14 million of bonds in February 1999.

Staffing needs are being determined as part of the long-range information study which began during fiscal 1997. These needs are being reevaluated as part of the transition to the new information systems.

The related items listed above are included in the long-range information system study.

Reference # and title: 98-M17 Site-Based Purchasing

Comment: Site-based purchasing is an initiative that the School Board has undertaken over the past few years. To summarize briefly, the School Board has installed a computer system and software at virtually all school sites, and has trained the principals or their designees at each school site. Currently, the Finance Department has organized a committee to address the concerns of site-based purchasing. However, the prior auditor performed testing of disbursements at these schools in fiscal year 1995 and had results as follows:

Number of schools reviewed	4
Number of disbursements selected	45
Number of selected disbursements without proper approval	17
Percentage	38%
Number of selected disbursements not in compliance with bid policy	4
Percentage	100%

We performed our own reviews in the current year. Our findings supported the assertion that a high number of disbursements do not comply with School Board policy for the site-based purchasing.

Recommendation: We agree with the prior auditor's assessment that if the School Board does intend to keep decentralization of some of the procurement efforts, policies may need revision to strengthen controls at off-site locations. We also agree that procedures should be developed to ensure that policy is being followed and the role of internal audit in ensuring policy compliance should be considered.

Management's response: This matter has been addressed as part of the strategic plan for management of school site business services and is related to 98-M2. Through this plan, management feels that the control environment has already been improved through: 1) the new policies, regulations, and procedures manual that is being developed; 2) monthly desk reviews of SAF financial information; 3) the additional business services' staffing at school sites and in the Internal Audit Department; and 4) through a comprehensive training program. Internal control will be further strengthened with on-line access to all school accounting files effective in July 1999. These efforts are expected to result in greater controls and more accountability.

Board Members
Orleans Parish School Board
New Orleans, Louisiana

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 for the information of the Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 10, 1999

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: **Fixed Assets Procedures**

Comment: This item is considered unresolved and has been repeated as item 98-F1 in the current-year schedule of findings and questioned costs.

Title: **OMB Circulars A-133 and A-87**

Comment: This item is considered unresolved and has been repeated as item 98-M1 in the current-year management letter.

Title: **Year 2000 Issues**

Comment: Developing a plan of action requires determining the challenges faced and defining parameters of the process. Immediate assessment of the Year 2000 issue and devising a plan of attack is critical. The cost of addressing the Year 2000 issue can be significant and must be planned and budgeted in advance.

In previous management letters, the prior auditor communicated concerns related to the School Board's data processing operations and systems.

Corrective action taken: The prior external auditor recommended that a plan of action be developed as well as a funding plan. The software and hardware were selected during the fall of 1998. This project will provide operational benefits on a long-term basis. To provide partial project funding, authorization for bond issuance was obtained from the State Bond Commission. $14 million of bonds were sold on February 10, 1999. The balance of the approximately twenty million dollar project will be provided from current resources. The projected date to go on-line with the new financial and human resource/payroll systems is July 1, 1999. The student data software will be implemented in August 1999. Also, additional staff has been assigned to the conversion project. Prior to the implementation, staff will attend training on site and at the vendors' training centers. Based on assurances from the software vendors, management is confident that the new systems will be year 2000 compliant.

Title: **Incurred but Not Reported Claims and Litigated Claims**

Comment: This item is considered unresolved and has been repeated as current-year management item 98-M3.

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: Due To/From Accounts

Comment: Virtually all of the funds of the School Board have due to or due from accounts from other funds. The General Fund has the most significant dollar values in these accounts for several reasons, such as its funding of the School Board's federal program needs until reimbursement is received from the federal or state pass-through agencies.

This comment has been partially addressed as described below. Current-year management letter item 98-M4 addresses the unresolved portion.

Partial corrective action taken: During 1997-98, staff implemented more frequent settlement of due to/from balances. See current-year item 98-M4 for further action planned.

Title: Title I Disbursements

Comment: Out of a sample of twenty-five Title I disbursements, two exceptions were noted. One disbursement for $3,200 did not have an approved purchase order. One disbursement for $4,625 related to an alumni event was not recorded in the correct account (included in travel – out-of-city) and appears to be unallowable under the provisions of OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*.

Corrective action taken: The School Board's General Fund reimbursed the Title I program for the $3,200. This problem was not noted in testing disbursements for the 1997-98 fiscal year.

Title: Increased Oversight of Construction Activity

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M5.

Title: Utilities Charges to the Child Nutrition Program

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M6.

Title: IRS Form 941 Reconciliation

Comment: Procedures to reconcile payroll expense to IRS Form 941 are not being performed.

Corrective action taken: The reconciliation of the payroll expense to Form 941 was done effective for the quarter ended June 30, 1998. We plan to continue this practice on an ongoing basis.

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: **Interim Accrual Basis Financial Statements**

Comment: Audit adjustments are still being identified after year-end for areas that could be addressed during the year, such as sick and vacation leave, self-insured liabilities, and the impact of new GASB pronouncements.

Corrective action taken: Effective for the period ended December 31, 1997, accrual basis balance sheets and income statements have been prepared. This procedure has aided the close-out process and staff's knowledge of the content of account balances on the general ledger and minimized year-end adjustments.

Title: **Child Nutrition Program Personnel Records**

Comment: The class, grade and step of three of ten Child Nutrition employees were not updated in the Personnel Department records. Upon further discussions with the Personnel Department, the update of the Child Nutrition files is behind schedule and is being addressed.

Corrective action taken: The personnel department records were updated for the 1997-98 fiscal year.

Title: **Stock Safekeeping Authorized Signatures**

Comment: Only one of several authorized signatures is required to obtain stocks held in safekeeping.

Corrective action taken: The practice of requiring dual signatures for withdrawal of securities from safekeeping was instituted during 1997-98.

Title: **Arbitrage Monitoring**

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M7.

Title: **Funding Source of Missing Fixed Assets Unknown**

Comment: The School Board has had significant missing fixed asset items during the year.

Corrective action taken: Staff has continued to emphasize compliance with the Fixed Asset procedures. This has resulted in a significant reduction in the amount of assets reported missing/stolen assets for 1997-98. Contact is being made with the cognizant agency to determine controlling regulations.

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: Certain Costs may be Allowable Federal Program Costs

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M8.

Title: Approved List of Bank Accounts for Transfers

Comment: Wire transfers are performed by individuals on an authorized list. However, an approved list of bank accounts to which transfers can be made to or from has not been created.

Corrective action taken: An authorized bank account list has been distributed to banks.

Title: Central Service Cost Allocation Plans

Comment: Circular No. A-87, Attachment C – State/Local-Wide Central Service Cost Allocation Plans, addresses governmental units which "provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these Central Service costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The Central Service Cost Allocation Plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to federal awards."

Reasoning for no longer considering applicable: During 1997-98 Finance Department staff conferred with the School Board's governmental standards' consultants and was advised that Cost Allocation Plans were not directly applicable because of the state-wide indirect cost plan, for which all School Boards in Louisiana participate. Moreover, the consultant indicated that the approval was required for the direct recipient of grants. Subrecipients, such as the School Board, would only be required to submit allocation plans for approval, only if required by the primary recipient which is the Louisiana Department of Education.

Title: Title I Maintenance of Effort Calculation

Comment: Differences were noted in our review of the mathematical calculation of the Maintenance of Effort support performed for the Title I program. The impact of the differences, $1,046,386, appeared to have no effect on the ultimate conclusion reached by program personnel.

Corrective action taken: No problems were noted in testing the maintenance of effort calculation for the 1997-98 fiscal year.

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: IDEA Parental Permission Sheet

Comment: In one out of twenty-five student files examined in the IDEA program, the parental permission sheet was not signed or dated.

Corrective action taken: No problems were noted in testing student files for the 1997-98 fiscal year.

Title: OMB Circular No. A-87

Comment: Effective October 1, 1995, changes were made by the Office of Management and Budget to Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." The School Board has created a committee to study the effect of the changes on School Board operations.

Corrective action taken: A review was made to determine current requirements. Some were implemented during 1997-98. During 1998-99, the School Board has implemented a single rate for unemployment costs and verification of salary costs for federal programs. Additionally, annual actuarial studies are made to establish premiums for the self-funded Workers' Compensation Fund.

Title: Financial Reporting

Comment: The School Board currently receives national recognition for its annual and budgetary reporting. The achievements reflect the hard work and dedication of management and staff. In further expanding these reporting efforts, the prior auditor suggested two procedures be implemented.

Corrective action taken: Effective during 1997-98, the quarterly financial statements are prepared on a full GAAP reporting basis, and include balance sheet reporting. A cash management section has also been added to the quarterly financial statements. The implementation of full GAAP reporting was done on a trial basis for the December 31, 1996 and March 31, 1997 statements.

Title: Revenues

Comment: The School Board is currently anticipating revenue shortages for fiscal year 1997, primarily as a result of the reduction in Minimum Foundation Funding.

Disposition: Fiscal year 1997 has passed, therefore this comment is no longer applicable. However, the School Board continues to monitor revenue sources, including ad valorem taxes.

Title: Insurance

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M14.

Orleans Parish School Board
New Orleans, Louisiana

Status of Prior Management Letter Items
June 30, 1998

Title: **Inventory**

Comment: This item is considered partially resolved. Therefore, it has been repeated as current-year management letter item 98-M15.

Title: **Fund Balance/Accumulated Deficit**

Comment: As of June 30, 1994, the unreserved, undesignated fund balance of the General Fund was $148,979. This amount of fund balance represented .05% of the total expenditures of the General Fund in the 1994 fiscal year.

In addition to the minimal unreserved, undesignated equity in the General Fund, the Other Insurance Fund had a deficit of $1,564,669 and the Health Insurance Fund had a deficit of $5,503,250. Since these internal service funds are a service primarily of the General Fund's general liability and health care claims, and given the present General Fund's financial viability, the Board has a risk that it will be unable to finance and timely pay its claims.

Based on the estimated liabilities for claims, additional sources of cash as well as revenues may be required to meet these demands. In addition, the Board has virtually no "cushion" for emergencies and unforeseen events for its general operations.

Corrective action taken: The School Board continues to attempt to provide an adequate fund balance. As of June 30, 1998, the undesignated fund balance has risen to $17.5 million.

As of June 30, 1996, the General Fund transferred $2.4 million to the Health Insurance Fund to retire its deficit. For the Other Insurance Fund, the deficit was eliminated through the School Board approved Residual Equity transfer (effective July 1, 1996) from the Other Insurance Fund of all litigated claims to the General Long-Term Debt Account Group and the transfer of all remaining net assets not earmarked for small claims payment to the General Fund. In addition to the transfer of assets, the School Board has continued to designate additional funds for payment of claims and judgements. Also, effective for the fourth quarter of fiscal 1998, the nonlitigated claims have been transferred to the General Fund.

Title: **School Accounting**

Comment: The comment in this item is considered unresolved. Since the nature of the comment is similar to other comments on School Activity Fund accounting, this comment has been combined with current-year management letter item 98-M2.

Title: **Improving EDP Controls**

Comment: This item is considered partially resolved. Therefore, it has been repeated as current-year management letter item 98-M16.

Title: **Site-Based Purchasing**

Comment: This item is considered unresolved and has been repeated as current-year management letter item 98-M17. This issue is also related to 98-M2 and 98-M16.