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**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

**Financial Report
For the Year Ended June 30, 2003**

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

Release Date 1-28-04



Francis I. Huffman, CPA
L. Fred Monroe, CPA
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John L. Luffey, MBA, CPA (1983-2002)

INDEPENDENT AUDITORS' REPORT

City of Monroe School Board Monroe, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **City of Monroe School Board** (the School Board) as of and for the year ended June 30, 2003, which collectively comprise the School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Monroe School Board, as of June 30, 2003, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**City of Monroe School Board
Independent Auditors' Report**

The "Management's Discussion and Analysis" presented on pages 4 through 12 and the "Budgetary Comparison Schedules" presented on pages 49 through 51 are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

As further discussed in Note 15, the School Board suffered losses in prior years in the General Fund and the School Food Service Special Revenue Fund. These funds have deficit fund balances of approximately \$728,000 and \$454,000 respectively. The impact of the School Board's ability to continue to meet its obligations is dependent upon successful execution of its deficit reduction plan. The accompanying financial statements contain no adjustments which might be required, if any, from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe School Board's basic financial statements. The Combining and Individual Non Major Fund Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Fund Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



(A Professional Accounting Corporation)

December 19, 2003

**REQUIRED SUPPLEMENTAL INFORMATION
(PART A)**

MONROE CITY SCHOOLS
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

We offer readers of the Monroe City School Board's financial statements this narrative overview and analysis of the financial activities of the Monroe City School Board for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for the 2002-03 fiscal year include the following:

- Statement of Net Assets – The assets of the Monroe City School Board exceeded its liabilities at the close of the most recent fiscal year by \$18,579,402 (net assets). Of this amount, approximately \$6.9 million (unrestricted net assets) may be used to meet government's obligations to citizens and creditors.
- Statement of Activities – The total net assets of the Monroe City School Board increased by \$5,618,927 for the year ended June 30, 2003.
- Governmental Funds Balance Sheet – As of the close of the current fiscal year, the Monroe City School Board's governmental funds reported combined ending fund balance of \$18,313,490, a decrease of \$4,420,367 in comparison with the prior fiscal year. The majority of this fund balance is comprised of approximately (1) \$8.4 million which is designated for capital projects within the Capital Projects Fund, (2) \$7.4 million which is reserved for debt service, (3) \$3.7 million available for spending in the Sales Tax Funds, and (4) \$1.2 million deficit in the General Fund and School Food Service Fund.
- Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Total revenues for the year ended June 30, 2003 for the governmental funds of the Monroe City School Board amounted to \$78,682,534. Approximately 81% of this amount is received from three major revenue sources: (1) \$27.5 million from Minimum Foundation Program, (2) \$13.9 million from local ad valorem taxes, and (3) \$22.1 million from local sales and use taxes.
- General Fund's Ending Fund Balance – At the end of the current fiscal year, fund balance for the General Fund, a major fund, had a deficit of (\$727,951).
- Capital Assets – Total capital assets (net of depreciation) were \$66,767,781 or 70% of the total assets. The Monroe City School Board uses these assets to provide educational services to children and adults; consequently, these assets are not available for future spending.
- Long-Term Debt – The Monroe City School Board's total debt decreased \$875,904 in the current fiscal year. Debt on general obligation bonds decreased by \$1,360,000.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Monroe City School Board's basic financial statements. The Monroe City School Board's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Monroe City School Board's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the Monroe City School Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Monroe City School Board is improving or deteriorating.
- The Statement of Activities presents information showing how the School Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Monroe City School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Monroe City School Board can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Monroe City School Board near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Monroe City School Board's near-term financing decision. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Monroe City School Board maintains fourteen governmental fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Title I, Sales Tax, Capital Projects, and two Debt Service funds, all of which are considered to be major funds. Data for the other eight governmental fund groups are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Monroe City School Board adopts an annual appropriated budget for its General Fund and certain Special Revenue Funds and the Parish-wide Capital Projects Fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the Monroe City School Board. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Monroe City School Board's own programs. The School Board maintains one fiduciary fund named the School Activity Fund.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School Board's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

Financial Analysis of Government-wide Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Monroe City School Board, assets exceed liabilities by \$18.6 million at the close of the most recent fiscal year.

The largest portion of the Monroe City School Board's net assets totaling more than \$66 million reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The School Board uses these capital assets to provide educational services to children and adults; consequently, these assets are not available for future spending. Although the Monroe City School Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Monroe City School Board's Net Assets

	<u>June 30, 2003</u>
Current and other assets	\$ 28,689,953
Capital assets	<u>66,767,781</u>
Total assets	<u>95,457,734</u>
Current and other liabilities	14,732,634
Long-term liabilities	<u>62,145,698</u>
Total liabilities	<u>76,878,332</u>
Net assets:	
Invested in capital assets, net of related debt	1,710,798
Restricted	9,955,649
Unrestricted	<u>6,912,955</u>
Total net assets	<u>\$ 18,579,402</u>

Restricted net assets of \$9,955,649 are reported separately to show the legal constraints for the payment of outstanding long-term debt obligations and to limit the School Board from using these funds for day-to-day operations. Debt Service Funds account for \$7,399,951 of the total. The remaining balance is monies restricted for salaries and benefits.

The remaining balance of unrestricted net assets of \$6,912,955 is used to meet the School Board's ongoing obligations to citizens and creditors.

Governmental activities increased the Monroe City School Board's net assets by \$5,618,927, which was a 43% increase in the net assets. Key elements of this increase are as follows:

Monroe City School Board's Changes in Net Assets

	<u>Year ended June 30, 2003</u>
Revenues:	
Program revenues:	
Charges for services	\$ 393,665
State grants and entitlements	2,039,983
Federal grants	11,681,117
General revenues:	
Ad valorem taxes	14,179,569
Sales taxes	22,052,700
Minimum Foundation Program	27,574,024
Interest on investments	439,855
Other general revenues	<u>340,439</u>
Total revenues	<u>78,701,352</u>
Expenses:	
Instruction	42,021,749
Support services:	
Pupil Support Services	2,218,684
Instructional Staff Support	4,422,808
General administration	1,874,881
School administration	3,315,534
Business services	822,821
Plant services, including unallocated depreciation	4,961,571
Student transportation services	2,604,698
Central services	1,778,833
School food services	4,090,271
Facility acquisition and construction	1,538,386
Debt service – interest on long-term obligations	<u>3,432,189</u>
Total expenses	<u>73,082,425</u>
Increase in net assets	<u>\$ 5,618,927</u>

Governmental Activities

Expenses are classified by functions/programs. Instruction services for fiscal 2003 totaled \$42,021,749. The remaining functions are considered support services and relate to those functions that support the instructional services provided, such as pupil support, instructional staff support, administration, transportation, food services, and plant services. Support services for fiscal 2003 totaled \$26,090,101 of total expenditures.

The remaining expenditures of \$4,970,575 consist of \$1,538,386 of facility acquisition and construction and \$3,432,189 of interest expense on long-term obligations.

The related program revenues for fiscal 2003 directly related to these expenses totaled \$14,057,233, which along with \$393,665 in charges for such services, resulted in net program expenses of \$58,631,527. The balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- Minimum Foundation Program (MFP) – MFP is the funding formula for the 66 school districts in the state of Louisiana. The School Board received \$27,174,024 in MFP funds in 2002-2003. This amounts to 35% of the total revenues received by the School Board.
- Sales tax revenues – Sales tax revenues are the second largest source of revenue for the School Board, generating \$22,052,699 in revenue, or 28% of total revenue.
- Ad valorem tax revenues – Ad valorem, or property, tax revenues, the third largest source of revenues, accounts for 18% of revenues, or \$14,179,569.

Financial Analysis of Governmental Funds

As noted earlier, the Monroe City School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Monroe City School Board's government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Monroe City School Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School Board's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the Monroe City School Board's governmental funds reported a combined ending fund balance of \$18,313,490, a decrease of \$4,420,367 in comparison with the prior fiscal year. The primary reason for the decrease is due to the decrease in the Capital Project Fund balance of \$7,693,225.
- The General Fund is the chief operating fund of the Monroe City School Board. At the end of the current fiscal year, the deficit fund balance of the General Fund was \$727,951. This is a \$964,996 reduction of the prior year's deficit of \$1,692,947.
- The Debt Service Funds have a total fund balance of \$7,399,951, all of which is reserved for the payment of debt service.
- The Sales Tax Funds have a total fund balance of \$3,712,915, a net increase of \$1,290,325. The increase is attributable to the 2001 Sales Tax fund, for which 2002-2003 represented the first full year of collections.
- The Capital Project Fund has a fund balance of \$8,379,975. The \$7.6 million decrease mentioned earlier is due to the construction projects occurring within the system.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S 39:1301 et seq), the Monroe City School Board must adopt a budget for the General Fund and all Special Revenue funds prior to September 15. The original budget for the School Board was adopted on September 5, 2002, and the final budget amendment was adopted on September 8, 2003.

The original budget projected a reduction of the General Fund deficit of \$1,204,725 and was later amended and projected a reduction of the deficit of \$577,193. This \$627,532 change is largely due to the decrease in anticipated MFP revenues. Actual revenues were under the final budget by approximately \$284,000 as a result of the MFP adjustment. Overall expenditures were \$437,052 less than budgeted. The original budget reflected expected increases in employer's share of health insurance costs and retirement expense; however, expenses were not as much as projected.

Capital Assets and Debt Administration

Capital Assets: The Monroe City School Board's investment in capital assets as of June 30, 2003, amounts to \$66,767,781 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

Monroe City School Board's Capital Assets (Net of depreciation)

	<u>2003</u>
Land	\$ 1,345,809
Buildings, building improvements and land	54,844,331
Furniture and equipment	5,360,478
Construction in progress -- buildings	<u>5,217,163</u>
Total	\$ <u>66,767,781</u>

Major capital asset events during the fiscal year included the following:

- Carroll Jr. High – replaced the gymnasium
- Carroll High – added a New Field House, Renovated the existing Stadium Locker Room, added new visitor and band bleachers, replaced the visitor concession stand, installed new elevator in science building, added new ROTC classrooms and store and rebuilt the Stadium track
- Berg Jones – renovated the existing kitchen
- Sherrouse – added a new building for eight (8) classrooms and offices and renovated the existing building
- Lee Jr. High – added a new weight room adjacent to the existing gymnasium and renovated the existing gymnasium
- Wossman High – added a new visitor concession stand and restroom, renovated and expanded the existing field house
- Minnie Ruffin – added two new classrooms and renovated the office area
- Cypress Point – expanded the multi-purpose room and revised the bus and parent driveways

- Clara Hall – added four new classrooms
- J.S. Clark – added a storeroom and air conditioned the kitchen
- Madison Foster – installed culverts and filled the drainage ditch
- Lexington – paved the front parking lot
- Sallie Humble – added storeroom and restrooms for the multi-purpose area and replaced floor tile in two classroom wings
- Lincoln – paved the cafeteria access, repaved the front parking lot and renovated the Office area.
- Martin Luther King – repaved the parking lot and covered some walkways
- Barkdull Faulk – major work on the air conditioning system
- Jefferson – installed tile wainscot in all hallways
- Neville High – repaved the stadium area parking lot, rebuilt the stadium track, replaced the annex building air conditioning fan coils and renovated the athletic office
- Bus Barn/Warehouse – added 3500 square feet lean-to, insulated and re-roofed the existing building

Debt:

**Monroe City School Board Outstanding Debt
As of June 30, 2003**

	<u>Balance June 30, 2003</u>
General Obligation Bonds:	
Series 1994 (refinanced 2001)	\$ 1,485,000
Series 1995 (refinanced 2003)	2,380,000
School Refunding Bonds	
Series 2001	22,255,000
Series 2003	19,480,000
Sales Tax Bonds	
Series 2001	12,000,000
Series 2003	6,000,000
Certificates of Indebtedness, 1998	985,000
Total	<u>\$64,585,000</u>

The 1994 General Obligation Bonds were issued for the purpose of acquiring and/or improving lands for building sites and playgrounds, including construction of necessary sidewalks; purchasing, erecting and/or improving school buildings and other school related facilities. These bonds were refinanced in 2001.

The 1995 General Obligation Bonds were issued for additional improvements, in addition to the improvements made with the 1994 GOB money. These bonds were refinanced in 2003.

Sales Tax Revenue Bonds 2001 & 2002 issues were issued for the purpose of capital improvements including classroom additions, junior high school gymnasiums, improvements to high school stadiums, three high school all-weather tracks, and other improvements as determined.

In 2003, the School Board entered into a five-year lease for the purchase of 15 buses. Other long-term liabilities include accrued vacation pay and sick leave. Details about long-term obligations are presented in the notes to the financial statements.

Future Operations

Monroe City Schools has operated with a deficit in the General Fund for the last several years. This deficit grew to a high of \$2,691,343 for the fiscal year ended 2001. Eliminating this deficit, while simultaneously improving the quality of education provided to students, has proved to be a great challenging to the District. However, the District has risen to this challenge and has made great strides in eliminating this deficit during the past two years.

The General Fund ended fiscal year 2002-2003 with revenues over expenditures in the amount of \$964,996. At the end of the most recent fiscal year, the General Fund deficit balance was reduced to \$727,951, compared to \$1,692,947 for the previous fiscal year. Achieving a deficit reduction of this magnitude represents great effort on the part of Monroe City Schools, especially in light of continued increases in expenditures associated with district operations. In addition to increased expenditures, the District had to make allowances for declines in revenue. Most of this decline in General Fund revenue resulted from the continued decline in student enrollment. The loss of students results in a loss of funding through the State's Minimum Foundation Program. State Minimum Foundation Program Funding, which accounts for 35% of total revenue, is largely based on the number of students served by the District. Again, the board and administration of Monroe City Schools has risen to the challenge and has committed to sound fiscal management.

The District adopted a General Fund Budget that reflected the worst case scenario for fiscal year 2003-2004. This scenario projected a 5% decline in student enrollment for 2003-2004. This scenario therefore projected a lot of MFP funding in excess of \$400,000. The district, however, did not experience this great of a reduction in student count, which should result in significantly more Minimum Foundation Program funding than originally projected. The exact effect of this can not be determined until the District receives the final Minimum Foundation allocation in February 2004.

Because of the projected student decline, the Board adopted an original budget with revenue over expenditures in the amount of approximately \$41,000 for fiscal year 2003-2004.

The district spent considerable time assessing staffing needs in relation to student count for the 2003-2004 School year. The administration and board realigned staff where possible to ensure sound fiscal management. There are, however, at least two areas where significant increases in expenditures are projected for the 2003-2004 year. These area include the increased cost of health insurance for School District employees and the required contribution to the La School Employees retirement system.

Increased Health insurance costs:

Monroe City Schools participates in the state managed health care program. The School District will incur General Fund for its portion of employees health care cost for fiscal year 2003-2004. The State Group health care program has continued to see premium increases averaging 10% per year for over five consecutive years. In addition to this trend, the cost of employee health care is adversely effected by State Legislative mandates that have increased the School Boards contribution rate for health care from approximately 65% to 75% in 2003-2004. Based on the

combined effect of these two areas (increased premium and increased contribution rate), the anticipated increase in the General Fund for health insurance cost will have a significant impact on expenditures.

Mandated contributions to La School Employees Retirement System

For the past three years, the School Employees Retirement System has discontinued the School District's matching portion to the retirement system based on actuarial recommendations. In fiscal year 2003-2004, La School Employees Retirement System has reinstated the employer's matching portion at the rate of 8.5 percent rate will be applied to salary cost for Custodian and Bus Drivers.

The State Legislature mandated, starting in the 2002-2003 fiscal year, that 50% of new growth money in the Minimum Foundation Program be used for teacher pay raises. Because the district projected a budget based on a 5% reduction in student count, there was no projected growth money to be allocated to teacher pay raises. Any funds designated for teacher pay raises from MFP growth money will be determined and distributed after the Final MFP letter is received.

The School district will continue with its aggressive construction projects in fiscal year 2003-2004. Major capital projects were undertaken in fiscal year 2002-2003, with a continuation slated for the current fiscal year. The Facilities Committee and the entire School board has committed to providing school facilities that contribute to an excellent learning environment for all students served by Monroe City Schools. The District continues to assess the facility needs of the District and will continue to make the needed improvements during fiscal year 2003-2004.

Overall, Monroe City Schools continues to make both academic and fiscal improvements throughout the District.

Contacting the School District's Financial Management

If you have questions about this report or need additional financial information, contact Derenda Flowers, Chief Financial Officer of the Monroe City School Board, P. O. Box 4180, Monroe, LA 71211-4180, or call at (318) 325-0601.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Net Assets
Governmental Activities**

June 30, 2003

Assets:

Cash and cash equivalents	\$ 19,149,844
Investments	263,190
Receivables:	
Ad valorem taxes	49,909
Sales and use taxes	2,686,337
Federal grants	4,251,280
State grants	888,168
Other	367,031
Bond issuance costs, net	843,267
Inventory	168,336
Other Assets	22,591
Capital assets, net:	
Land	1,345,809
Buildings and improvements	54,840,831
Furniture and equipment	5,363,978
Construction in progress	5,217,163
Total assets	95,457,734

Liabilities:

Accounts payable	1,705,887
Salaries and wages payable	7,583,789
Retainage payable	243,520
Interest payable - bonds	863,524
Long-term liabilities:	
Due within one year	4,335,914
Due in more than one year	62,145,698
Total liabilities	76,878,332

Net assets:

Invested in capital assets, net of related debt	1,710,798
Restricted for:	
Debt service	7,399,951
Salaries and related benefits	2,555,698
Unrestricted	6,912,955
Total net assets	\$ 18,579,402

See accompanying notes to the basic financial statements

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Activities
Governmental Activities**

Fiscal Year Ended June 30, 2003

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Functions/programs:				
Current				
Instructional services:				
Regular programs	\$ 27,637,161	\$ 65,725	\$ 828,013	\$ (26,743,423)
Special education programs	8,920,927	-	1,165,591	(7,521,245)
Vocational programs	181,887	-	151,272	37,425
Other instructional programs	87,642	24,760	285,452	395,992
Special programs	4,801,541	-	4,788,080	31,364
Adult/continuing education	392,591	-	206,061	(186,530)
Support services:				
Pupil support services	2,218,684	-	171,439	(2,047,245)
Instructional staff support services	4,422,808	-	1,759,016	(2,619,366)
General administration	1,874,881	-	11,127	(1,863,754)
School administration	3,315,534	-	60,735	(3,254,799)
Business services	822,821	-	18,376	(804,445)
Plant services	4,961,571	-	354,240	(4,607,331)
Student transportation services	2,604,698	-	71,490	(2,533,208)
Central services	1,778,833	-	11,093	(1,767,740)
Noninstructional services:				
Food service operations	4,090,271	303,180	3,494,977	(176,647)
Facility acquisition and construction	1,538,386	-	-	(1,538,386)
Debt service:				
Interest on long-term obligations	3,432,189	-	-	(3,432,189)
Total Governmental Activities	\$ 73,082,425	\$ 393,665	\$ 13,376,962	\$ 680,271
General revenues:				
Taxes:				
Ad valorem taxes levied for:				
General purposes				8,156,465
Debt service purposes				6,023,104
Sales taxes levied for:				
General purposes				22,052,699
Grants and contributions not restricted to specific programs:				
Minimum Foundation Program				27,174,024
State revenue sharing				316,427
Interest and investment earnings				439,855
Gain on sale of assets				9,956
Amortization of bond premium				8,862
Other				69,062
Total general revenues				64,250,454
Changes in net assets				5,618,927
Net assets at beginning of year				12,960,475
Net assets at end of year				\$ 18,579,402

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2003

	MAJOR FUNDS										AGGREGATE REMAINING FUNDS	
	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS				SALES		CAPITAL PROJECTS	OTHER GOVERNMENTAL		TOTAL
	GENERAL FUND	TITLE I	SALES TAX	BOND REDEMPTION	BOND REDEMPTION	SINKING	TAX					
Assets:												
Cash and cash equivalents	\$ -	\$ -	\$ 2,306,558	\$ 5,308,362	\$ -	\$ 2,004,879	\$ -	\$ 9,484,157	\$ 45,888	\$ 19,149,844		
Investments	260,279	-	2,911	-	-	-	-	-	-	263,190		
Accounts receivables	307,086	-	2,686,337	107,168	-	-	-	-	2,686	3,103,277		
Due from other governments:												
Due from federal sources	56,808	2,197,157	-	-	-	-	-	-	1,997,315	4,251,280		
Due from state sources	148,610	-	-	-	-	-	-	-	739,558	888,168		
Due from other funds	4,493,143	-	665,967	18,280	-	-	-	-	24,611	5,202,001		
Inventory	-	-	-	-	-	-	-	-	168,336	168,336		
Other assets	22,296	-	-	-	-	-	-	-	295	22,591		
Total assets	\$ 5,288,222	\$ 2,197,157	\$ 5,661,773	\$ 5,433,810	\$ -	\$ 2,004,879	\$ -	\$ 9,484,157	\$ 2,978,689	\$ 33,048,687		
Liabilities and fund balances												
Liabilities:												
Accounts payable	\$ 217,468	\$ 276,097	\$ 203,385	\$ -	\$ -	\$ -	\$ -	\$ 843,379	\$ 165,558	\$ 1,705,887		
Salaries and wages payable	5,780,425	271,346	1,131,389	-	-	-	-	-	400,629	7,583,789		
Other liabilities	-	-	-	-	-	-	-	243,520	-	243,520		
Due to other funds	18,280	1,649,714	614,084	38,738	-	-	-	17,283	2,863,902	5,202,001		
Total liabilities	\$ 6,016,173	\$ 2,197,157	\$ 1,948,858	\$ 38,738	\$ -	\$ -	\$ -	\$ 1,104,182	\$ 3,430,089	\$ 14,735,197		
Fund balances:												
Reserved for debt service	-	-	-	5,395,072	-	2,004,879	-	-	-	7,399,951		
Reserved for capital projects	-	-	-	-	-	-	-	8,379,975	-	8,379,975		
Reserved for inventory	-	-	-	-	-	-	-	-	168,336	168,336		
Reserved for salaries and related benefits	-	-	2,555,698	-	-	-	-	-	-	2,555,698		
Unreserved:												
Unreserved/undesignated reported in:												
General Fund	(727,951)	-	-	-	-	-	-	-	-	(727,951)		
Special Revenue Funds	-	-	1,157,217	-	-	-	-	-	(619,736)	537,481		
Total fund balances	(727,951)	-	3,712,915	5,395,072	-	2,004,879	-	8,379,975	(451,400)	18,313,490		
Total liabilities and fund balances	\$ 5,288,222	\$ 2,197,157	\$ 5,661,773	\$ 5,433,810	\$ -	\$ 2,004,879	\$ -	\$ 9,484,157	\$ 2,978,689	\$ 33,048,687		

See accompanying notes to the basic financial statements.

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Balance Sheet to Statement of Net Assets
Fiscal Year Ended June 30, 2003**

Total fund balances – governmental funds		\$18,313,490
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in Governmental Funds. The Statement of Net Assets includes those capital assets among the assets of the School Board as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as Governmental Activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$82,644,334	
Accumulated depreciation	<u>(15,876,553)</u>	66,767,781

The costs associated with issuing bonds are reported as expenditures in the Governmental Funds. The issuance costs are not considered financial resources in the Statement of Net Assets; therefore, the costs are reported on the Statement of Net Assets as an asset net of accumulated amortization.

Bond issuance cost	895,125	
Less amortization	<u>(51,858)</u>	843,267

Elimination of interfund assets and liabilities.

Interfund assets		(5,202,001)
Interfund liabilities		5,202,001

See accompanying notes to the basic financial statements.

(continued)

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Balance Sheet to Statement of Net Assets
Fiscal Year Ended June 30, 2003**

Long term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities -- both current and long term -- are reported in the Statement of Net Assets.

Balances at June 30, 2003 are:

Long-term liabilities:

Compensated absences payable	(\$2,335,331)	
General obligation bonds payable	(45,600,000)	
Sales tax bonds payable	(18,000,000)	
Certificates of indebtedness	(985,000)	
Capital lease	(617,084)	
Deferred amount on refunding	1,365,980	
Bond premium	<u>(310,177)</u>	(\$66,481,612)

Interest on outstanding bonds in the Governmental Funds is recorded as an expenditure when paid. Bond interest in the Statement of Net Assets is recognized as an expense as it accrues.

Accrued interest on outstanding bonds	(863,524)
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Net Assets	<u>\$18,579,402</u>
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See accompanying notes to the basic financial statements.	(concluded)
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City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Fiscal Years Ended June 30, 2003

	MAJOR FUNDS										AGGREGATE REMAINING FUNDS	
	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			SALES			CAPITAL PROJECTS	OTHER GOVERNMENTAL		TOTAL
	GENERAL FUND	TITLE I	SALES TAX	BOND REDEMPTION	BOND REDEMPTION	SALES TAX	SINKING					
REVENUES												
Local sources:												
Ad valorem taxes	\$ 7,909,149	\$ -	\$ -	\$ 6,023,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,932,253
Sales and use taxes	-	-	22,052,700	-	-	-	-	-	-	-	-	22,052,700
Other than school taxes	247,316	-	-	-	-	-	-	-	-	-	-	247,316
Earnings on investments	38,479	-	63,954	103,055	-	25,065	-	209,302	-	-	-	439,855
Cash payments for meals	-	-	-	-	-	-	-	-	303,180	-	-	303,180
Other local revenue	412,106	-	-	-	-	-	-	-	-	-	-	412,106
State sources:												
State equalization	27,174,024	-	-	-	-	-	-	-	400,000	-	-	27,574,024
Revenue sharing	316,427	-	-	-	-	-	-	-	-	-	-	316,427
Professional Improvement Program	375,128	-	-	-	-	-	-	-	-	-	-	375,128
State contribution for teacher retirement	39,166	-	-	-	-	-	-	-	-	-	-	39,166
Restricted grants-in-aid	415,965	-	-	-	-	-	-	-	893,297	-	-	1,309,262
Federal sources:												
Federal Reticted grants-in-aid	108,350	4,196,848	-	-	-	-	-	-	7,375,919	-	-	11,681,117
Total revenues	37,036,110	4,196,848	22,116,654	6,126,159	-	25,065	-	209,302	8,972,396	-	-	78,682,534
EXPENDITURES												
Current:												
Instructional services:												
Regular programs	16,929,131	59,958	9,724,849	-	-	-	-	302,425	307,731	-	-	27,324,094
Special education programs	6,084,961	-	2,101,209	-	-	-	-	-	1,067,205	-	-	9,253,375
Vocational programs	36,436	-	-	-	-	-	-	-	217,371	-	-	253,807
Other instructional programs	311,359	-	-	-	-	-	-	-	-	-	-	311,359
Special programs	20,111	2,882,729	-	-	-	-	-	-	1,934,413	-	-	4,837,253
Adult/Continuing education	197,422	12,180	-	-	-	-	-	-	183,437	-	-	393,039
Support services:												
Pupil support services	1,343,865	105,881	620,365	-	-	-	-	-	148,986	-	-	2,219,097
Instructional staff support	1,427,487	823,911	1,371,352	-	-	-	-	-	835,718	-	-	4,458,468
General administration	1,399,787	2,093	296,446	176,731	-	-	-	328	478	-	-	1,875,863
School administration	2,457,708	-	857,826	-	-	-	-	-	-	-	-	3,315,534
Business services	684,271	-	141,826	-	-	-	-	-	3,924	-	-	830,021
Plant services	3,037,550	73,441	2,134,590	-	-	-	-	514,579	-	-	-	5,760,160
Student transportation services	1,837,653	-	802,087	-	-	-	-	-	17,948	-	-	2,657,688
Central services	330,888	-	1,418,916	-	-	-	-	-	54,495	-	-	1,804,299

City of Monroe School Board
Monroe, Louisiana

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Fiscal Years Ended June 30, 2003

	MAJOR FUNDS										AGGREGATE REMAINING FUNDS	
	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS			SALES TAX		CAPITAL PROJECTS		OTHER GOVERNMENTAL		
	GENERAL FUND	TITLE I	SALES TAX	BOND REDEMPTION	SINKING	SALES TAX	PROJECTS	GOVERNMENTAL	TOTAL			
Noninstructional services:												
Food service operations	842	-	-	-	-	-	-	320,958	3,912,803	4,234,603		
Capital Outlay	-	-	203,535	-	-	-	-	7,551,722	112,158	7,867,415		
Debt service:												
Principal	140,000	-	-	2,645,079	-	-	-	-	-	2,785,079		
Interest	101,140	-	-	2,458,531	1,160,526	-	-	-	-	3,720,197		
Total expenditures	36,340,611	3,960,193	19,673,001	5,280,341	1,160,526	-	-	8,690,012	8,796,667	83,901,351		
Excess (deficiency) of revenues over expenditures	695,499	236,655	2,443,653	845,818	(1,135,461)	-	-	(8,480,710)	175,729	(5,218,817)		
OTHER FINANCING SOURCES (USES)												
Proceeds from sale of assets	10,965	-	-	-	-	-	-	-	-	10,965		
Proceeds of refunding debt	-	-	-	19,701,818	-	-	-	-	-	19,701,818		
Payment to refund debt escrow agent	-	-	-	(19,701,818)	-	-	-	-	-	(19,701,818)		
Assets acquired by capital lease	-	-	-	-	-	-	-	787,485	-	787,485		
Transfers in	423,617	-	-	-	1,278,855	-	-	-	36,999	1,739,471		
Transfers out	(165,085)	(236,655)	(1,153,328)	-	-	-	-	-	(184,403)	(1,739,471)		
Total other financing sources (uses)	269,497	(236,655)	(1,153,328)	-	-	-	-	787,485	(147,404)	798,450		
Net change in fund balances	964,996	-	1,290,325	845,818	143,394	-	-	(7,693,225)	28,325	(4,420,367)		
Fund balances at beginning of year	(1,692,947)	-	2,422,590	4,549,254	1,861,485	-	-	16,073,200	(479,725)	22,733,857		
Fund balances at end of year	\$ (727,951)	\$ -	\$ 3,712,915	\$ 5,395,072	\$ 2,004,879	\$ -	\$ -	\$ 8,379,975	\$ (451,400)	\$ 18,313,490		

See accompanying notes to the basic financial statements.

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Fiscal Year Ended June 30, 2003**

Total net change (decrease) in fund balances – Governmental Funds	(\$4,420,367)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Elimination of operating transfers in and out:

Transfers in	1,739,471
Transfers out	(1,739,471)

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period:

Capital Outlays	\$8,730,095	
Depreciation	<u>(1,935,128)</u>	6,794,967

Capital Assets nor depreciation are reported in the Governmental Funds. In the Statement of Net Assets capital assets and accumulated depreciation are reported. When an asset is disposed of it results in a gain or loss on the disposal of the asset in the Statement of Activities.

During the current year the School Board sold assets with a Basis of \$1,009 for \$10,965, resulting in a gain on disposal of capital assets of \$9,956.	(1,009)
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Capital leases are reported in Governmental Funds as capital expenditures and other financing sources. However, they are not reported in the Statement of Activities.

Capital Outlay	787,485
Other Financing Sources	(787,485)

See accompanying notes to the basic financial statements.	(continued)
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**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Fiscal Year Ended June 30, 2003**

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. \$2,765,000

Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces long-term Liabilities in the Statement of Net Assets. 170,401

The costs associated with issuing bonds are reported as expenditures in the Governmental Funds. The issuance costs do not require the use of current financial resources; therefore, the costs are amortized over the life of the bond issue in the Statement of Activities. For the year ended June 30, 2003, bond issuance costs exceeded amortized bond Issuance costs as follows:

Bond issuance cost	\$90,273	
Amortized bond issuance cost	<u>(51,858)</u>	38,415

In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned (\$795,071) exceeded the amounts used (\$788,059) by \$7,012. (7,012)

Refunding of debt is reported in Governmental Funds as other financing sources and (uses) but is not reported on the Statement of Activities.

Proceeds of refunding debt		19,701,818
Payment to refund debt escrow agent		(19,701,818)

See accompanying notes to the basic financial statements. (continued)

**City of Monroe School Board
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Fiscal Year Ended June 30, 2003**

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because accrued interest received from bond sales is recognized as Other Financing Sources when received and interest on outstanding bonds is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities; however, interest expenses are recognized as the interest accrues, regardless of when it is due.

Interest expense payable as of June 30, 2003	(863,524)	
Interest expense payable as of June 30, 2002	<u>1,133,194</u>	269,670

Bond premium from bond sales is reported in the Governmental Funds as Other Financing Sources when received. Bond premium is reported in the Government-wide Financial Statements as a liability and amortized over the life of the bonds.

Current year bond premium amortization		<u>8,862</u>
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Change in net assets of governmental activities		<u>\$5,618,927</u>
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(concluded)

See accompanying notes to the basic financial statements.

**City of Monroe School Board
Monroe, Louisiana**

**Statement of Assets and Liabilities
Fiduciary Fund Type - Agency Funds
School Activity Funds**

For the Year Ended June 30, 2003

ASSETS

Cash and cash equivalents	\$ 427,129
Certificates of Deposit	<u>43,503</u>
Total assets	<u>\$ 470,632</u>

Liabilities and fund balances

Liabilities:

Amounts Held for Other Organizations	\$ <u>470,632</u>
Total liabilities	<u>\$ 470,632</u>

See accompanying notes to the basic financial statements.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Note 1 - Summary of Significant Accounting Policies

ORGANIZATION

The City of Monroe School Board (the School Board) is governed by a seven-member board, each of whom is elected from a single member district. It operates under the authority of the City of Monroe Charter of 1900, as amended by the Mayor-Council Home Rule Charter for the City of Monroe, adopted in August 1979. The School Board is authorized to establish and operate public schools within the City of Monroe.

The School Board is composed of a central office, 20 schools and 2 support facilities. The School Board serves approximately 11,000 students. The School Board employs approximately 1,450 persons of which over 800 are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, bus transportation and food service. The regular school term normally begins during the latter half of August and runs until the end of May.

A. Financial Reporting Entity

The School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the City of Monroe. The School Board receives funding from Federal, state and local sources and must comply with the requirements of those funding source entities. However, the School Board is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Reporting Entity*, since the members of the School Board are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Therefore, the School Board is a separate governmental reporting entity. For financial reporting purposes, the School Board's financial statements include all funds, school, agencies and committees for which the School Board is financially accountable. The School Board is not aware of any other entities that should be included within the financial statements.

Certain units of local government, such as other independently elected officials, the parish police jury and municipalities, are excluded from the accompanying financial statements. These units have their own elected governing authorities and are not financially accountable to the School Board.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

B. Fund Accounting

The financial transactions of the School Board are recorded in individual funds, 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 includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School Board uses the following fund categories and fund types:

Governmental Funds

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

Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues and expenditures/expenses. Major funds are larger, more significant funds. Nonmajor funds are the governmental Funds that do not meet the dollar tests for major funds. The major and nonmajor funds are described below.

Major Funds:

General Fund - The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The following Special Revenue Funds are major funds:

Title I is a Federal program for educationally deprived school children residing in areas having high concentrations of children from low-income families. The Title I services are provided through various projects which are

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

designed to meet the special needs of educationally deprived children. The activities supplement rather than replace state and locally mandated activities.

Sales Tax Fund accounts for the collection and distribution of the sales tax levies for the School Board. All of the sales taxes collected under the pre-1994 tax are dedicated to supplement other revenues available to the School Board for the payment of salaries of teachers and other School Board personnel. Of the tax passed by the voters in 1994, seventy percent of the tax collected is dedicated for similar purposes, with the balance dedicated for instructional purposes. The sales tax passed in 2001 is to provide additional support to the school system to include funding of capital improvements and employee salaries.

Debt Service Funds – Debt Service Funds accounts for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

The following Debt Service Funds are major funds:

The Bond Redemption Fund accounts for the 1994 and 1995 School Improvement Bonds and the 2001 and 2003 refunding bonds.

The Sales Tax Sinking Fund accounts for the 2001 and 2002 Sales Tax School Bonds.

Capital Projects Fund – Capital Projects Funds account for the financial resources received and used for the acquisition, construction or improvements of capital facilities not reported in the other governmental funds.

The following School Board's one Capital Project Fund is a major fund. It accounts for resources accumulated and expended for improvements, acquisitions and construction of School Board facilities.

NonMajor Funds:

The School Board has 8 nonmajor Special Revenue Funds. For a description of these funds, see the Nonmajor Special Revenue Funds section of this report.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Fiduciary Funds

Agency Funds – The Agency Funds account for assets held by the School Board in a trustee capacity or as an agent for individuals, private or school organizations, other governmental units and/or other funds. The School Activity Fund accounts for all individual school activity funds. While these funds are under the supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

C. *Basis of Accounting / Measurement Focus*

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions are recognized when the School Board has an enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the School Board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the School Board's general revenues.

General Revenues:

General revenues included in the Statement of Activities derive directly from local property and sales taxes and from unrestricted state grants. General revenues finance the remaining balance of a function not covered by program revenues.

Allocation of indirect expenses:

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Indirect expenses (long-term debt interest) of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

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

Governmental funds reported in the fund financial statements are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to pay current period liabilities. Such revenue items are ad valorem, sales and use taxes and federal and state entitlements. Ad valorem taxes are considered measurable and available when collected by the vendors. Revenue from state and Federal grants are recorded when the reimbursable expenditure have been incurred.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Funds for payments to be made early in the following year.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest-bearing demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Short-term investments are stated at costs, which approximates fair value.

Interest earned on balances maintained in the pooled bank account was distributed to the individual funds based on the cash balance maintained by the unrestricted participating fund during the year.

The School Board maintains separate “book” cash accounts for each fund that is

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

pooled within the master bank account. Negative book cash balances appear in the financial statements as a liability, "Due to Other Funds." The balance of these amounts will be paid primarily through collections of grants receivable reimbursements from the Federal and State Departments of Education.

E. Investments

Investments, consisting of certificates of deposit, are stated at market value in accordance with the provisions of GASB Statement No. 31.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet.

G. Elimination and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

H. Bond Issuance Costs

Costs (bond rating fees, attorney fees, printing, etc.) associated with issuing bonds are capitalized and amortized over the life of the bond issue in the government-wide financial statements. The bond issuance costs are reported as expenditures in the fund financial statements.

I. Inventory

Inventory of the School Food Service Fund consists of food and supplies. Inventory is recorded as an expenditure as it is consumed. Inventory is valued at cost on the first-in, first-out (FIFO) method. Commodities provided to the School Board by the United States Department of Agriculture (USDA) through the State Department of Education are reflected as revenue when received and as an expenditure when consumed. Commodities are valued at amounts assigned by the USDA.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

J. Capital Assets

Capital Assets, which include land, buildings, and equipment, are reported as governmental funds in the governmental-wide financial statements. The School Board considers assets with an initial individual cost of \$250 or more and an estimated life of 1 year or more as a capital asset.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following useful lives:

Buildings	40 years
Furniture and equipment	5 – 15 years

K. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-Wide Financial Statements.

L. Fund Reserves

Fund reserves are portions of fund equity that are legally restricted for future use and are therefore not available for current operations. The fund balance reserved for inventories represents the cost of inventories on hand and is, therefore, not available for expenditures.

M. Compensated Absences

All employees receive ten sick days each year, with any unused portion being carried forward. Upon retirement, employees with twenty years of service or more are paid for up to 25 days of accumulated sick leave. Only employees who work 12

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calendar months per year earn vacation days. Effective July 1, 1994 the School Board revised its policy regarding payment of accumulated vacation days to allow for a maximum accumulation and payment of no more than 30 days with persons credited with days in excess of 30 as of the effective date being grandfathered in at their current accumulation.

N. Long-Term Liabilities

Bond premiums and discounts, as well as issuance costs, are recognized in the fund financial statements in the period the bonds are issued. Bond proceeds are reported as an Other Financing Source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

O. Restricted Net Assets

For the Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

In the Statement of Net Assets, the following items are considered restricted:

Debt service is considered restricted because an ad valorem tax has been levied specifically to meet the principal and interest payments of various bond issues.

Salaries and related benefits are considered restricted as it represents undistributed salaries and related benefits from sales taxes restricted exclusively for this purpose.

P. Reserves and Designations of Fund Financial Statements

Portions of fund equity reported in the Fund Financial Statements are reserved for future use and are; therefore, not available for future appropriation or expenditure. Designations of unreserved fund balances indicate the School Board's tentative plans for the use of financial resources in a future period.

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Q. Sales and Use Taxes

The voters of Ouachita Parish authorized the City of Monroe School Board and the Ouachita Parish School Board to jointly levy and collect a 0.5% sales and use tax. The net proceeds of the tax are to be allocated and prorated between the two school boards annually on the basis of average daily membership for the preceding school year. Eighty-eight percent of the sales and use tax revenues received by the School Board are to be used for the payment of the salaries of teachers, as defined by the Louisiana State Department of Education. The remaining twelve percent is to be used for the payment of salaries to designated personnel other than teachers.

In March, 1994, the voters of the City of Monroe approved the levy of a 0.5% sales and use tax. The net proceeds of the tax are to supplement salaries and benefits of certified teachers and other personnel and to provide additional funds for instructional activities. This sales tax went into effect in July, 1994.

In July, 2001, the citizens of the City of Monroe approved a 1% sales tax for additional support of the School Board. This sales tax went into effect in October, 2001.

R. Use of Estimates

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

Note 2 - Deficit Fund Balances

A deficit unreserved/undesignated fund balance of approximately \$728,000 exists in the General Fund. The School Food Services Special Revenue Fund has a deficit of approximately \$454,000. It is expected that these deficits will be cleared by future revenues and operational changes within the school system (See Note 15).

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Note 3 - Cash and Cash Equivalents and Investments

The School Board's cash and certificates of deposit consist of deposits with financial institutions. The certificates of deposit have varying maturities. State statutes govern the School Board's investment policy. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations and repurchase agreements. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates the local government investment pool. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by deposit insurance. Obligations that may be pledged as collateral are obligations of the United States government and its agencies and obligations of the state and its subdivisions.

The following is a schedule of the School Board's cash and certificates of deposit at June 30, 2003. Differences between School Board balances and the bank balances arise because of the net effect of deposits-in-transit and outstanding checks.

	School Board Balance	Bank Balance
Cash on Deposit	\$ 8,613,546	\$ 10,476,806
Cash Equivalents:		
LAMP Investments	10,536,298	10,536,298
Certificates of Deposit	263,190	263,190
TOTAL	\$ 19,413,034	\$ 21,276,294

The School Board's investments and deposits at June 30, 2003 are categorized on the following page 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 safekeeping agent in the School Board's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or safekeeping agent in the School Board's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or safekeeping agent but not in the School Board's name. Per Louisiana State law, collateral is not required for funds invested in LAMP.

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The School Board's deposits are collateralized as follows:

		Risk Category 1
FDIC Insured Deposits	\$	200,000
Uninsured Deposits:		
Collateralized		10,539,996
Total Deposits	\$	10,739,996

The School Board's investments at June 30, 2003, consist of a certificate of deposit with a carrying and market value of \$263,190. It is held by the School Board's agent in the School Board's name, and is collateralized (Risk Category 1).

Note 4 - Ad Valorem Taxes

The Sheriff of Ouachita Parish, as provided by State law, bills and collects property taxes on behalf of the School Board using the assessed values determined by the tax assessor of Ouachita Parish. For the year ended June 30, 2003, taxes of 46.84 mills were levied on property with assessed valuations totaling \$279,130,927 and were dedicated as follows:

School Operations, Maintenance, Aid and Support	26.59 mills
Series 1994 & Series 1995 Bonds Debt Service	20.25 mills
	46.84 mills

The School Board's portion of the total taxes originally levied was \$15,110,007 of which \$13,074,493 was assessed on property owners and \$2,035,514 was assessed under Homestead Exemption. The School Board collected \$13,395,950 through June 30, 2003, of which \$151,254 from the City of Monroe and a nominal amount from Ouachita Parish Sheriff's Office was for prior year(s) levies. Approximately 86% of the homestead exemption is not appropriated by the State of Louisiana and therefore is not collected.

Property Tax Calendar

Millage Rates Adopted	September 5, 2002
Levy Date	November 4, 2002
Tax Bills Mailed	November 15, 2002
Total Taxes Are Due	December 31, 2002
Lien Date	January 1, 2003

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

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

Note 5 - Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2003, were as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,345,809	\$ -	\$ -	\$ 1,345,809
Construction-in-progress	657,441	7,178,188	2,618,466	5,217,163
Total capital assets not being depreciated	2,003,250	7,178,188	2,618,466	6,562,972
Capital Assets being depreciated				
Buildings & improvements	60,170,168	2,618,466	-	62,788,634
Furniture and equipment	10,953,336	2,339,392	-	13,292,728
Total capital assets being depreciated	71,123,504	4,957,858	-	76,081,362
Less accumulated depreciation:				
Buildings and improvements	6,479,364	1,468,439	-	7,947,803
Furniture and equipment	7,462,057	466,693	-	7,928,750
Total accumulated depreciation	13,941,421	1,935,132	-	15,876,553
Total capital assets being depreciated, net	57,182,083	3,022,726	-	60,204,809
Governmental Activities Capital Assets, net	\$ 59,185,333	\$ 10,200,914	\$ 2,618,466	\$ 66,767,781

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Depreciation expense was charged to governmental activities as follows:

Instructional services:	
Regular programs	\$ 638,836
Special education programs	17,759
Vocational programs	9,571
Other instructional programs	49
Special programs	14,261
Support services:	
Instructional staff support services	1,485
Business services	15
Plant services	6,150
Student transportation services	118,667
Central services	20,535
Food service operations	2,022
Facility acquisition and construction	1,105,779
Total depreciation expense	<u>\$ 1,935,129</u>

Note 6 - Significant Concentrations of Risk

Amounts due from governmental agencies represent substantially all of receivables from outside sources. The School Board derives a majority of its revenue from grants by governmental agencies and is, therefore, economically dependent upon these grants.

Note 7 - Pension and Retirement Plans

State-sponsored Plans:

Substantially all employees of the School Board are members of two statewide retirement systems which are multiple-employer, cost-sharing public employee retirement systems. In general, professional employees such as teachers, principals and lunchroom workers are members of the Teachers' Retirement System of Louisiana (TRSL); other employees, such as custodial personnel and bus operators, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service.

Under the TRSL Regular Plan, there are two retirement formulas: the 2% formula and the 2.5% formula. Participants may retire under the 2% formula at age 60 with at least

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10 years of service credit or at any age with 20 years of service credit. Under the 2.5% formula, participants may retire at age 65 with 20 years of service credit; at age 55 with 25 years of service credit; or at any age with 30 years of service credit. The retirement benefit formula is based on the average salary of the 36 highest consecutive months times the applicable retirement percentage formula.

Under the TRSL-Plan A, normal retirement is generally at any age with 30 or more years credited service, and at the age of 55 with at least 25 years of credited service and at age 60 with at least 10 years of credited service. The retirement benefit formula is generally 3% times the average salary of the 36 highest successive months.

Funding Policy: As provided by statute, the School Board's employer contributions to the TRSL are funded by the State of Louisiana through expenditures by the School Board of state Minimum Foundation Program (MFP) funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contributions to the TRSL plans for the years ended June 30, 2003, 2002 and 2001 were \$4,886,324, \$4,888,063; and \$4,191,859, respectively, equal to the statutorily required contributions in each year.

The TRSL issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Teachers' Retirement System, P.O. Box 94123, Baton Rouge, Louisiana 70804-9123 or by calling (225) 925-6446.

Employees participating in the LSERS are eligible for normal retirement after 30 years of service at any age, 25 years of service at age 55, or 10 years of service at age 60. The maximum retirement allowance is computed at 2.5% times the highest 36 months of average salary, times the years of service plus a supplement of \$2.00 per month times the years of service.

Funding Policy: As provided by statute, the School Board's employer contributions to the LSERS are funded by the State of Louisiana through expenditures by the School Board of state MFP funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the systems's prior fiscal year. The School Board's contributions to the LSERS plans for the years ended June 30, 2003, 2002 and 2001 were \$10,792, \$0, and \$7,457, respectively,

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equal to the statutorily required contributions in each year.

The LSERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Louisiana School Employees' Retirement System, P.O. Box 44516, Capitol Station, Baton Rouge, LA 70804 or by calling (225) 925-6484.

School Board-Sponsored Plan

During fiscal year 1996, the School Board adopted for its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all School Board employees, permits them to defer a portion of their salaries until future years. The School Board does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement or unforeseen emergency. The deferred compensation is available to employee's beneficiaries in case of death.

Under the terms of a plan established in accordance with the terms of the amended IRC Section 457, all compensation deferred under the plan, all property and rights acquired with those amounts and all income attributable to those amounts and rights are solely the property and rights of the participants and their beneficiaries. As required by the amended IRC Section 457, the School Board has established custodial accounts with an unrelated third party administrator who holds in trust the assets and income of the plan. The trustee holds assets with a fair market value of \$278,457 at June 30, 2003.

Note 8 - Other Employee and Postemployment Benefits

The School Board offers a cafeteria plan fringe benefit program under the Internal Revenue Code Section 125 for all employees who elect to participate. The Plan covers the 75% of the cost of group health coverage of participating employees.

Group health and life insurance is provided to participating employees and retirees through the State Employees Group Benefits Program. In fiscal year 2003, the School Board paid \$5,934,987 in connection with providing these benefits, including \$1,695,523 attributable to 413 retirees.

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Note 9 - General Long-Term Obligations

The following is a summary of changes in General Long-Term Obligations for the year ended June 30, 2003:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
General Obligation Bonds	\$ 46,960,000	\$ 19,480,000	\$ 20,840,000	\$ 45,600,000
Less deferred amount on refunding	-	(1,365,980)	-	(1,365,980)
Sales Tax Bonds	18,000,000	-	-	18,000,000
Certificates of Indebtedness	1,125,000	-	140,000	985,000
Capital Lease	-	787,485	170,401	617,084
Compensated Absences, Net	2,328,319	795,071	788,059	2,335,331
TOTAL	\$ 68,413,319	\$ 19,696,576	\$ 21,938,460	\$ 66,171,435

Long-term obligations outstanding at June 30, 2003, are comprised of the following:

	Issue	Maturity Date	Interest Rate	Amount Outstanding
<u>General Obligation Bonds</u>				
School Bonds, Series 1994	1994	3/1/2004	5.50 - 7.00	\$ 1,485,000
School Bonds, Series 1995	1995	3/1/2005	5.35 - 9.00	2,380,000
School Refunding Bonds, Series 2001	2001	3/1/2014	4.00 - 4.625	22,255,000
Series 2003	2003	3/1/2015	2.50 - 5.00	19,480,000
Total General Obligation Bonds				45,600,000
<u>Sales Tax Bonds</u>				
Sales Tax Bonds, Series 2001	2001	10/1/2021	3.875 - 5.00	12,000,000
Sales Tax Bonds, Series 2002	2002	10/1/2021	4.25 - 4.75	6,000,000
<u>Certificate of Indebtedness</u>	1998	7/1/2008	4.70 - 4.95	985,000
Total Bonds and Certificate of Indebtedness				\$64,585,000

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Debt service requirements to maturity on all School Board General Obligation Bonds and certificates of indebtedness outstanding at June 30, 2003, including interest of \$22,409,232 is as follows:

Year Ending June 30,	Total Principal & Interest Due
2004	\$ 6,326,396
2005	6,554,123
2006	6,602,348
2007	6,643,618
2008	6,663,168
2009-2013	33,322,088
2014-2018	15,085,659
2019-2022	5,796,832
TOTAL	\$ 86,994,232

In order to advance refund a portion of the 1995 Series Bonds during fiscal year 2003, the School Board issued \$19,480,000 in General Obligation Bonds with an interest rate of 2.50% to 5.00%. The net proceeds from the issuance of the general obligation bonds were used to purchase government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until the bonds are called. The advance refunding met the requirement of an in-substance debt defeasance and \$18,215,000 of the Series 1995 bonds were removed from the School Board's financial statements. The outstanding balance of the defeased 1995 Series at June 30, 2003, is \$18,215,000, which will be called for redemption on March 1, 2005. The outstanding balance of the defeased 1994 Series at June 30, 2003, is \$21,565,000 which will be called for redemption on March 1, 2004.

As a result of the advance refunding of the 1995 Series, the School Board reduced its total debt service requirement by approximately \$646,188, which has resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of approximately \$457,053.

Note 10 - Lease Commitments and Rental Expense

Operating Leases

The School Board leases various items of equipment and facilities under lease agreements which are subject to annual reappropriation clauses. Generally, as equipment leases expire, they are replaced with other leases.

Rent Expense for the year ending June 30, 2003 totaled \$89,066.

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Capital Leases

In fiscal 2003, the School Board entered into a capital lease obligation for the purchase of 15 buses. The original amount of the obligation was \$787,485 and bears an interest rate of 4.10%. Future minimum lease payments until maturity are as follows:

Fiscal Year Ending	Future Minimum Lease Payments
June 30, 2004	\$ 170,401
June 30, 2005	170,401
June 30, 2006	170,401
June 30, 2007	170,402
Total	681,605
Less: Amounts representing interest	(64,521)
Present Value of Future Minimum Lease Payments	\$ 617,084

Note 11 - Interfund Receivables and Payables (FFS level only)

Individual balances due to/from other funds at June 30, 2003, are as follows:

	Due From Other Funds
Major Funds:	
Unreimbursed expenses:	
General Fund:	
Bond redemption	\$ 38,738
Sales tax	589,472
Capital projects	17,283
	\$ 645,493
Deficit cash balances:	
School Food Service	453,084
Vocational Adult Education	244,979
Title I	1,649,714
Special Education	79,753
Title II	456,391
Title IV	13,952
Title VI	46,188
Other federal programs	308,952
State grants	594,637
Total General Fund	3,847,650
	4,493,143

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		<u>Due From Other Funds</u>
Sales Tax:		
Special Education	540,872	
Other federal programs	101,758	
State grant funds	21,480	
Vocational/Adult Education	<u>1,857</u>	665,967
Total Sales Tax		
Bond Redemption Fund:		
General Fund		<u>18,280</u>
Total Major Funds		5,177,390
Nonmajor Funds:		
Unreimbursed expenditures:		
School Food Service		
Sales tax		24,611
		<u>\$ 5,202,001</u>

Note 12 - Interfund Transfers

Transfers to/from other funds for the year ended June 30, 2003 were as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
Major Funds:			
General Fund	\$ 423,617	\$	165,085
Special Revenue Funds:			
Title I	-		236,655
Sales Tax	-		1,153,328
Debt Service Funds:			
Sales Tax Bonds	1,278,855		-
Nonmajor Funds:			
Special Revenue Funds:			
Title II	-		57,072
Title IV	-		479
Title VI	-		1,641
IDEA-B	-		85,597
Vocational and Adult Ed	-		1,983
School Food Service	36,999		-
Other Federal Programs	-		37,631
Total	<u>\$ 1,739,471</u>	\$	<u>1,739,471</u>

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Included in the transfers are \$421,145 of indirect cost to the General Fund from various Federal programs and \$1,153,328 from Special Revenue Funds-Sales Tax to Debt Service Funds-Sales Tax Bonds for the use in paying bond principal and interest.

Certain Special Revenue funds transferred to the General Fund reimbursements of indirect costs totaling \$421,145 according to rates approved by various grantor agencies.

Note 13 - Risk Financing Activities

The School Board manages its exposure under general liability, fleet, and errors and omissions through the purchase of commercial insurance. Qualifying employees and retirees may participate in the state group medical and life insurance plan. Risk of loss under workers' compensation statutes is self-insured by the School Board for up to \$200,000 per occurrence, with reinsurance coverage in force for losses in excess of that amount. The self-insured plan is administered by a third party, with the claims under the self-insured amount paid by the General Fund; certain Special Revenue funds reimburse the General Fund for payment of their claims. Consistent with the provisions of GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the School Board uses the General Fund to account for its risk financing activities. During the year ended June 30, 2003, the School Board incurred and paid claims under the worker's compensation plan of approximately \$295,000 net of reimbursements. There were no material claims outstanding at June 30, 2003.

Note 14 - Litigation and Contingencies

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

The School Board was audited by the Teachers' Retirement System of Louisiana (TRSL). The outcome of the audit is unknown at this time thus, additional liability, if any, cannot be estimated.

Note 15 - Deficit Reduction Plan (Unaudited)

The Monroe City School Board began fiscal year 2001-2002 with a deficit in the General Fund of \$2,691,343. Additionally, the School Food Service Fund began the same fiscal year with a deficit of \$647,201, for a combined deficit of \$3,338,544. In past years, the

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School District had developed Deficit Elimination Plans that produced limited results for the District. Previous plans called for eliminating the deficit through reductions in expenditures. The District soon found that this alone was not the solution, as the district was able to cut in one area, only to see increases in another area. After much reflection on this matter, officials determined that insufficient revenue was the most significant part of the problem, with a new stream of revenue part of the solution. This strategy, coupled with elimination of staffing where appropriate contributes to the solution to eliminate the deficit.

Having come to this conclusion, school officials decided to go to the public with a one cent sales tax proposition. On July 21, 2001, the voters of the district overwhelmingly passed the one cent sales tax, which will generate an additional \$12 million per year for the School Board. Of this one cent sales tax, only 45% or \$5.4 million is dedicated. The remaining 55% or \$6.6 million, is to be used for general operations, which will provide relief to the general fund, thereby eliminating the deficit. The district anticipated that the 2001-2002 fiscal year would be somewhat of a "bridge" year for the District, as the new sales tax was initiated in the second quarter of the fiscal year. Sales tax collections for fiscal year 2001-2002 were approximately \$9,000,000, with no additional MFP money resulting from increased effort for this fiscal year. The District anticipated that the bridge year would produce limited results in reducing the overall deficit, and would serve as a stabilizing period where for the first time in many years, the deficit would not increase.

The actual results of fiscal operations for 2001-2002 were much more than the anticipated stabilizing period. In fact, the General Fund deficit was reduced by approximately \$1,000,000. Additionally, the School Food Service Fund deficit was reduced by approximately \$140,000, reducing the combined deficit at year end to \$2,203,850.

Fiscal year operations for 2002-2003, resulted in a decrease of the General Fund deficit by \$964,996 (versus the projected \$1,000,000) and a decrease in the School Food Service Fund deficit by \$30,805.

For fiscal year 2003-2004, the beginning budget projects an additional reduction in the General Fund deficit of approximately \$42,000. The 2003-2004 budget was based on a conservative 5% reduction in student count. However, student counts have exceeded projections. Therefore, MFP dollars will be higher than originally anticipated. Revised budgets are being updated for this change.

Upon elimination of the deficit, the School Board will continue to dedicate funds to build an operating general fund balance of approximately \$4.5 million.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

**City of Monroe School Board
Monroe, Louisiana**

**General Fund
Budgetary Comparison Schedule (GAAP Basis)**

Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Over (Under)
	Original Budget	Final Budget		
Budgetary fund balance at beginning of year	\$ (1,692,947)	\$ (1,692,947)	\$ (1,692,947)	-
Resources (inflows)				
Local sources:				
Ad valorem taxes:				
Constitutional tax	7,712,037	1,903,072	1,902,929	(143)
Renewable tax	-	6,006,220	6,006,220	-
Other than school taxes	-	239,637	247,316	7,679
Earnings on investments	35,000	38,500	38,479	(21)
Other local revenue	310,254	311,719	412,105	100,386
Total local sources	8,057,291	8,499,148	8,607,049	107,901
State and federal sources:				
State equalization	28,968,124	27,574,024	27,174,024	(400,000)
State revenue sharing	367,400	324,000	316,427	(7,573)
Professional Improvement Program	-	375,128	375,128	-
Federal Restricted grants-in-aid	393,704	164,349	108,350	(55,999)
State Restricted grants-in-aid	509,400	357,043	415,965	58,922
State contribution for teacher retirement	-	39,166	39,166	-
Total state and federal sources	30,238,628	28,833,710	28,429,060	(404,650)
Other sources:				
Proceeds from sale of assets	10,000	10,000	10,965	965
Transfers in	250,000	412,000	423,620	11,620
Total other sources	260,000	422,000	434,585	12,585
Amounts available for appropriations	36,862,972	36,061,911	35,777,747	(284,164)
Charges to appropriations (outflows)				
Current:				
Instructional services:				
Regular programs	17,695,425	17,032,411	16,929,133	103,278
Special education programs	6,211,574	6,122,971	6,084,961	38,010
Vocational programs	-	183,912	36,436	147,476
Other instructional programs	1,279,549	280,761	311,359	(30,598)
Special programs	-	30,000	20,111	9,889
Adult/Continuing education programs	-	205,550	197,422	8,128
Support Services:				
Pupil support services	1,407,620	1,397,397	1,343,865	53,532
Instructional staff support	-	1,431,358	1,427,487	3,871
General administration	1,580,667	1,436,054	1,399,787	36,267
School administration	2,466,975	2,505,190	2,457,708	47,482
Business services	1,081,213	691,557	684,271	7,286
Plant services	2,577,009	3,046,119	3,037,550	8,569
Student transportation services	1,730,345	1,841,591	1,837,653	3,938
Central services	730,817	297,794	330,888	(33,094)
Food service operations	-	-	842	(842)
Debt service	-	275,000	241,140	33,860
Total Charges	36,761,194	36,777,665	36,340,613	437,052
Transfers out	590,000	400,000	165,085	234,915
Total Charges to Appropriations	37,351,194	37,177,665	36,505,698	671,967
Budgetary fund balance at end of year	\$ (488,222)	\$ (1,115,754)	\$ (727,951)	387,803

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board
Monroe, Louisiana**

**Special Revenue Fund -
Title I**

Budgetary Comparison Schedule (GAAP Basis)

Fiscal Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Budgetary fund balance at beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (inflows)				
Federal Sources:				
Restricted grants-in-aid	3,842,505	3,808,735	4,196,848	388,113
Total federal sources	<u>3,842,505</u>	<u>3,808,735</u>	<u>4,196,848</u>	<u>388,113</u>
Amounts available for appropriations	3,842,505	3,808,735	4,196,848	388,113
Charges to appropriations (outflows)				
Current:				
Instructional services:				
Regular programs	-	23,925	59,958	(36,033)
Special programs	2,742,881	2,665,682	2,882,729	(217,047)
Adult/Continuing education programs	-	-	12,180	(12,180)
Support services:				
Pupil support services	88,266	88,265	105,881	(17,616)
Instructional staff support	707,444	736,675	823,911	(87,236)
General administration	5,000	5,000	2,093	2,907
Plant services	77,861	77,861	73,441	4,420
Student transportation services	420	420	-	420
Capital outlay	-	-	-	-
Total Charges	<u>3,621,872</u>	<u>3,597,828</u>	<u>3,960,193</u>	<u>(362,365)</u>
Transfers out	<u>220,633</u>	<u>210,907</u>	<u>236,655</u>	<u>(25,748)</u>
Total Charges to Appropriations	<u>3,842,505</u>	<u>3,808,735</u>	<u>4,196,848</u>	<u>388,113</u>
Budgetary fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board
Monroe, Louisiana**

**Special Revenue Fund -
Sales Tax
Budgetary Comparison Schedule (GAAP Basis)**

Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Budgetary fund balance at beginning of year	\$ 2,422,590	\$ 2,422,590	\$ 2,422,590	\$ -
Resources (inflows)				
Local sources:				
Sales and use taxes	22,506,876	22,114,610	22,052,700	(61,910)
Earnings on investments	70,000	70,000	63,954	(6,046)
Total local sources	22,576,876	22,184,610	22,116,654	(67,956)
Amounts available for appropriations	24,999,466	24,607,200	24,539,244	(67,956)
Charges to appropriations (outflows)				
Current:				
Instructional services:				
Regular programs	8,875,224	10,222,072	9,724,849	497,223
Special programs	2,512,382	2,042,894	2,101,209	(58,315)
Support services:				
Pupil support services	613,110	562,897	620,365	(57,468)
Instructional staff support	1,349,060	1,411,904	1,371,352	40,552
General administration	182,440	181,580	296,446	(114,866)
School administration	874,356	776,468	857,826	(81,358)
Business services	180,276	139,033	141,826	(2,793)
Plant services	2,146,733	2,112,637	2,134,590	(21,953)
Student transportation services	602,652	831,463	802,087	29,376
Other support services	1,805,331	1,437,582	1,418,916	18,666
Capital outlay	-	203,892	203,535	357
Total Charges	19,141,564	19,718,530	19,673,001	45,529
Transfers out	2,215,975	1,458,328	1,153,328	305,000
Total Charges to Appropriations	21,357,539	21,176,858	20,826,329	350,529
Budgetary fund balance at end of year	\$ 3,641,927	\$ 3,430,342	\$ 3,712,915	\$ 282,573

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board
Monroe, Louisiana**

**Notes to Budgetary Comparison Schedules
Fiscal year Ended June 30, 2003**

Budget and Budgetary Accounting

The School Board utilized the following procedures in establishing the budgetary data reflected in the financial statements:

In September, the Superintendent submits to the School Board proposed annual appropriated budgets for the General Fund and the Special Revenue Funds for the fiscal year commencing the prior July 1. A public hearing is conducted to obtain taxpayer comments. Prior to September 15, the School Board legally enacts the budget through adoption. The only legal requirement is that the School Board adopts a balanced budget; that is, total budgeted revenues and other financing sources (including fund balance) must equal or exceed total budgeted expenditures and other financing uses. The budget is revised periodically throughout the year, when deemed appropriate, but a balanced budget is always approved.

All budgets have annual appropriated budgets adopted on a basis consistent with GAAP. Except for grant-oriented funds, unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are utilized when goods or services are received. Grant-oriented fund budgets are adopted at the time the grant applications are approved by the grantor. Separate annual budgets are adopted for unencumbered appropriations of grant-oriented Special Revenue Funds at the beginning of the following fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. All budgets are operational at the departmental or project level. The Superintendent of the School Board is authorized to transfer budget amounts between line item activity and between any functions of an individual fund; however, any supplemental appropriations that amend the total expenditures of any fund require School Board approval.

The following individual major special revenue fund had actual expenditures over total budgeted appropriations for the year ended June 30, 2003. The variance is disclosed at the legal level of budgetary control as previously described above.

**City of Monroe School Board
Monroe, Louisiana**

**Notes to Budgetary Comparison Schedules
Fiscal year Ended June 30, 2003**

Expenditures – Budget and Actual

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Major Funds:			
Special Revenue Funds:			
Title I	\$3,597,828	\$3,960,193	(\$362,365)

The excess of actual expenditures over budgeted expenditures in the Title I Fund was due to underestimating unobligated funds from the prior year program available for expenditure in the current year.

SUPPLEMENTAL INFORMATION

**COMBINING
NONMAJOR SPECIAL REVENUE FUNDS**

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana
NONMAJOR SPECIAL REVENUE FUNDS
As of and for the Year Ended June 30, 2003

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds primarily are established for specific educational purposes and funded through the United States Department of Education or the Louisiana Department of Education.

- A. Title II is a Federal program which provides funds for mathematics and science related programs.
- B. Title IV is a Federal program that raises the awareness of students to the dangers of drug abuse and promotes an atmosphere for a drug-free learning environment.
- C. Title VI is a Federal program that provides funding to the School Board for equipment and other items approved under the grant contract.
- D. The Special Education funds is a Federal program that provides free appropriate education for all identified handicapped children from 3 to 21 years of age in the least restrictive environment.
- E. Vocational and Adult Education funds are used to more fully develop the academic and occupational skills of students to enhance their ability to compete in a technologically advancing workplace.
- F. School Food Service accounts for the revenues and expenditures incurred, in providing to pupils, breakfast and lunch services during the school year and in the Summer Feeding program.
- G. The Other Federal Programs funds account for all other federal programs that were not specifically discussed above.
- H. The State Grants funds account for Louisiana Department of Education grants for programs such as the Model Early Childhood, the Supplemental Instruction Program, and LEAP/GEE21 Remediation.

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet**

June 30, 2003

	Title II	Title IV	Title VI	Special Education	Vocational/ Adult Education	School Food Service	Other Federal Programs	State Grants	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,360	\$ 7,528	\$ 45,888
Accounts receivable	-	-	-	-	-	1,772	-	914	2,686
Due from other governments:									
Due from federal sources	558,363	13,952	46,188	638,090	298,515	31,067	400,653	10,487	1,997,315
Due from state sources	-	-	-	14,247	29,276	-	-	696,035	739,558
Due from other funds	-	-	-	-	-	24,611	-	-	24,611
Inventory	-	-	-	-	-	168,336	-	-	168,336
Other assets	-	-	-	-	295	-	-	-	295
Total assets	\$ 558,363	\$ 13,952	\$ 46,188	\$ 652,337	\$ 328,086	\$ 225,786	\$ 439,013	\$ 714,964	\$ 2,978,689

Liabilities and Fund Equity

Liabilities:									
Accounts payable	\$ 775	\$ -	\$ -	\$ 4,624	\$ 66,196	\$ 43,210	\$ 27,197	\$ 23,556	\$ 165,558
Salaries and wages payable	101,197	-	-	27,088	15,054	183,974	39,166	34,150	400,629
Due to other funds	456,391	13,952	46,188	620,625	246,836	453,084	370,738	656,088	2,863,902
Total liabilities	\$ 558,363	\$ 13,952	\$ 46,188	\$ 652,337	\$ 328,086	\$ 680,268	\$ 437,101	\$ 713,794	\$ 3,430,089
Fund Equity:									
Fund balances:									
Reserved for inventory	-	-	-	-	-	168,336	-	-	168,336
Unreserved-undesignated	-	-	-	-	-	(622,818)	1,912	1,170	(619,736)
Total fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (454,482)	\$ 1,912	\$ 1,170	\$ (451,400)
Total liabilities and fund equity	\$ 558,363	\$ 13,952	\$ 46,188	\$ 652,337	\$ 328,086	\$ 225,786	\$ 439,013	\$ 714,964	\$ 2,978,689

City of Monroe School Board
Monroe, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Fiscal Year Ended June 30, 2003

	Title II	Title IV	Title VI	Special Education	Vocational/Adult Education	School Food Service	Other Federal Programs	State Grants	Total 2003
Revenues									
Local Sources:									
School food service payment for meals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,180	\$ -	\$ -	\$ 303,180
State Sources:									
State equalization	-	-	-	42,146	29,276	400,000	-	-	400,000
Restricted grants-in-aid	-	-	-	-	-	-	-	821,875	893,297
Federal Sources:									
Restricted grants-in-aid	1,027,643	22,087	78,326	1,603,893	392,565	3,210,444	1,040,961	-	7,375,919
Total Revenues	1,027,643	22,087	78,326	1,646,039	421,841	3,913,624	1,040,961	821,875	8,972,396
Expenditures									
Current:									
Instructional:									
Regular programs	-	-	2,745	-	-	-	-	304,986	307,731
Special programs	920,511	-	49,144	731	15,000	-	571,332	377,695	1,934,413
Special education programs	-	-	-	1,067,205	-	-	-	-	1,067,205
Adult/Continuing education programs	-	-	-	-	183,437	-	-	-	183,437
Vocational programs	-	-	-	-	217,371	-	-	-	217,371
Support Services:									
Pupil support services	-	21,608	-	125,953	-	-	-	1,425	148,986
Instructional staff	50,060	-	24,796	352,211	4,050	-	326,855	77,746	835,718
General administration	-	-	-	478	-	-	-	-	478
Business services	-	-	-	3,924	-	-	-	-	3,924
Plant services	-	-	-	-	-	-	-	-	-
Student transportation services	-	-	-	9,940	-	-	-	8,008	17,948
Other support services	-	-	-	-	-	-	-	54,495	54,495
Noninstructional:									
Food service operations	-	-	-	-	-	3,912,803	-	-	3,912,803
Capital outlay	-	-	-	-	-	7,015	105,143	-	112,158
Total expenditures	970,571	21,608	76,685	1,560,442	419,858	3,919,818	1,003,330	824,355	8,796,667
Excess (Deficiency) of Revenues Over Expenditures	57,072	479	1,641	85,597	1,983	(6,194)	37,631	(2,480)	175,729
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	36,999	-	-	36,999
Transfers out	(57,072)	(479)	(1,641)	(85,597)	(1,983)	-	(37,631)	-	(184,403)
Total other financing sources (Uses)	(57,072)	(479)	(1,641)	(85,597)	(1,983)	36,999	(37,631)	-	(147,404)
Net Change in Fund Balance	-	-	-	-	-	30,805	-	(2,480)	28,325
Fund balance at beginning of year	-	-	-	-	-	(485,287)	1,912	3,650	(479,725)
Fund balance at end of year	-	-	-	-	-	(454,482)	1,912	1,170	(451,400)

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Title II**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenue			
Federal sources:			
Restricted grants-in-aid	\$ 1,089,841	\$ 1,027,643	\$ (62,198)
Total revenues	<u>1,089,841</u>	<u>1,027,643</u>	<u>(62,198)</u>
Expenditures			
Current:			
Instructional services:			
Special programs	775,613	920,511	(144,898)
Support services:			
Instructional staff support	<u>253,497</u>	<u>50,060</u>	<u>203,437</u>
Total expenditures	<u>1,029,110</u>	<u>970,571</u>	<u>58,539</u>
Excess of Revenues over Expenditures	60,731	57,072	(3,659)
Other Financing Sources (Uses)			
Transfers out	<u>(60,731)</u>	<u>(57,072)</u>	<u>3,659</u>
Net Change in Fund Balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Title IV**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues			
Federal sources:			
Restricted grants-in-aid	\$ 71,023	\$ 22,087	\$ (48,936)
Total revenues	<u>71,023</u>	<u>22,087</u>	<u>(48,936)</u>
Expenditures			
Current:			
Support services:			
Pupil support services	69,630	21,608	48,022
Total expenditures	<u>69,630</u>	<u>21,608</u>	<u>48,022</u>
Excess of Revenues over Expenditures	1,393	479	(914)
Other Financing Sources (Uses)			
Transfers out	<u>(1,393)</u>	<u>(479)</u>	<u>914</u>
Net Change in Fund Balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Title VI**

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

Fiscal Year Ended June 30, 2003

	Budget	Actual	Variance Over (Under)
Revenue			
Federal sources:			
Restricted grants-in-aid	\$ 78,288	\$ 78,326	\$ 38
Total revenues	78,288	78,326	38
Expenditures			
Current:			
Instructional services:			
Regular programs	2,856	2,856	-
Special programs	49,132	49,144	(12)
Support services:			
Instructional staff support	24,659	24,685	(26)
Total expenditures	76,647	76,685	(38)
Excess of Revenues over Expenditures	1,641	1,641	-
Other Financing Sources (Uses)			
Transfers out	(1,641)	(1,641)	-
Net Change in Fund Balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Special Education**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenue			
State sources:			
Restricted grants-in-aid	\$ 2,000	\$ 42,146	\$ 40,146
Federal sources:			
Restricted grants-in-aid	1,350,302	1,603,893	253,591
Total revenues	<u>1,352,302</u>	<u>1,646,039</u>	<u>293,737</u>
 Expenditures			
Current:			
Instructional services:			
Special education programs	982,122	1,067,936	(85,814)
Support services:			
Pupil support services	-	125,953	(125,953)
Instructional staff support	285,781	352,211	(66,430)
General administration	1,000	478	522
Business services	11,000	3,924	7,076
Student transportation services	1,000	9,940	(8,940)
Capital outlay	-	-	-
Total expenditures	<u>1,280,903</u>	<u>1,560,442</u>	<u>(279,539)</u>
 Excess of Revenues over Expenditures	71,399	85,597	14,198
 Other Financing Sources (Uses)			
Transfers out	<u>(71,399)</u>	<u>(85,597)</u>	<u>(14,198)</u>
 Net Change in Fund Balance	-	-	-
 Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Vocational/Adult Education**

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

Fiscal Year Ended June 30, 2003

	Budget	Actual	Variance Over (Under)
Revenue			
State sources:			
Restricted grants-in-aid	\$ 29,276	\$ 29,276	\$ -
Federal sources:			
Restricted grants-in-aid	399,037	392,565	(6,472)
Total revenues	428,313	421,841	(6,472)
 Expenditures			
Current:			
Instructional services:			
Vocational programs	147,297	217,371	(70,074)
Special programs	20,000	15,000	5,000
Adult/Continuing education programs	180,000	183,437	(3,437)
Support services:			
Instructional staff support	-	4,050	(4,050)
Capital outlay	79,000	-	79,000
Total expenditures	426,297	419,858	6,439
 Excess of Revenues over Expenditures	2,016	1,983	(33)
 Other Financing Sources (Uses)			
Transfers out	(2,016)	(1,983)	33
 Net Change in Fund Balance	-	-	-
 Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
School Food Service**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues			
Local sources:			
School food service payment for meals	\$ 303,077	\$ 303,180	\$ 103
State sources:			
State equalization	400,000	400,000	-
Federal sources:			
Restricted grants-in-aid	<u>3,153,597</u>	<u>3,210,444</u>	<u>56,847</u>
Total revenues	<u>3,856,674</u>	<u>3,913,624</u>	<u>56,950</u>
Expenditures			
Current:			
Noninstructional services:			
Food service operations	3,816,927	3,912,803	(95,876)
Capital outlay	<u>7,260</u>	<u>7,015</u>	<u>245</u>
Total expenditures	<u>3,824,187</u>	<u>3,919,818</u>	<u>(95,631)</u>
Excess of Revenues over Expenditures	32,487	(6,194)	(38,681)
Other Financing Sources			
Transfers in	<u>71,231</u>	<u>36,999</u>	<u>(34,232)</u>
Net Change in Fund Balance	103,718	30,805	(72,913)
Fund balance at beginning of year	<u>(485,287)</u>	<u>(485,287)</u>	-
Fund balance at end of year	<u>\$ (381,569)</u>	<u>\$ (454,482)</u>	<u>\$ (72,913)</u>

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
Other Federal Programs**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenue			
Federal sources:			
Restricted grants-in-aid	\$ 1,047,716	\$ 1,040,961	\$ (6,755)
Total revenues	<u>1,047,716</u>	<u>1,040,961</u>	<u>(6,755)</u>
Expenditures			
Current:			
Instructional services:			
Special programs	575,159	571,332	3,827
Support services:			
Instructional staff support	166,181	326,855	(160,674)
Capital outlay	<u>119,869</u>	<u>105,143</u>	<u>14,726</u>
Total expenditures	<u>861,209</u>	<u>1,003,330</u>	<u>(142,121)</u>
Excess of Revenues over Expenditures	186,507	37,631	(148,876)
Other Financing Sources (Uses)			
Transfers out	<u>(37,547)</u>	<u>(37,631)</u>	<u>(84)</u>
Net Change in Fund Balance	148,960	-	(148,960)
Fund balance at beginning of year	1,912	1,912	-
Fund balance at end of year	<u>\$ 150,872</u>	<u>\$ 1,912</u>	<u>\$ (148,960)</u>

**City of Monroe School Board
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUND -
State Grants**

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

Fiscal Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenue			
State sources:			
Restricted grants-in-aid	\$ 895,068	\$ 821,875	\$ (73,193)
Total revenues	<u>895,068</u>	<u>821,875</u>	<u>(73,193)</u>
Expenditures			
Current:			
Instructional services:			
Regular programs	206,246	304,986	(98,740)
Special programs	351,840	377,695	(25,855)
Support services:			
Pupil support services	7,962	1,425	6,537
Instructional staff support	-	77,746	(77,746)
Student transportation services	-	8,008	(8,008)
Other support services	191,217	54,495	136,722
Capital outlay	77,902		77,902
Total expenditures	<u>835,167</u>	<u>824,355</u>	<u>10,812</u>
Net Change in Fund Balance	59,901	(2,480)	(62,381)
Fund balance at beginning of year	3,650	3,650	-
Fund balance at end of year	<u>\$ 63,551</u>	<u>\$ 1,170</u>	<u>\$ (62,381)</u>

**CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana**

FIDUCIARY FUNDS

As of and for the Year Ended June 30, 2003

Fiduciary Funds

Fiduciary Funds account for assets held by the School Board in an agency capacity.

School Activities Fund

The School Activities Fund accounts for all individual school activity funds. While these funds are under supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND TYPE - AGENCY FUNDS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
Cash & Cash Equivalents	\$ 604,225	\$ 2,106,915	\$ (2,284,011)	\$ 427,129
Certificates of Deposit	<u>10,815</u>	<u>32,688</u>	<u>-</u>	<u>43,503</u>
TOTAL ASSETS	<u>\$ 615,040</u>	<u>\$ 2,139,603</u>	<u>\$ (2,284,011)</u>	<u>\$ 470,632</u>
Amounts Held for Other Organizations	<u>\$ 615,040</u>	<u>\$ 2,139,603</u>	<u>\$ (2,284,011)</u>	<u>\$ 470,632</u>
TOTAL LIABILITIES	<u>\$ 615,040</u>	<u>\$ 2,139,603</u>	<u>\$ (2,284,011)</u>	<u>\$ 470,632</u>

OTHER SUPPLEMENTARY DATA

This section contains information that is presented as additional analytical data.

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>District</u>	<u>Compensation</u>
Victoria Dayton	1	\$ 9,600
Tony Cain	2	9,600
Mickey Traweek	3	9,600
Jessie Handy, President Jan to Jun 2003	4	10,200
Curtis Armand, President Jul to Dec 2002	5	5,400
Rodney McFarland	5	4,800
Stephanie Smith	6	9,600
Brenda Shelling	7	<u>9,600</u>
		<u>\$ 68,400</u>

SUPPLEMENTARY INFORMATION –GRANT ACTIVITY



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

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

**City of Monroe School Board
Monroe, Louisiana**

We have audited the financial statements of **City of Monroe School Board** (the School Board) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 03-01.

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 judgement, 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. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-01.

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**City of Monroe School Board
Monroe, 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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 03-01 described above to be a material weakness.

This report is intended for the information of management of the School Board, Federal awarding agencies and pass-through entities, other entities granting funds to the School Board and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

December 19, 2003



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**City of Monroe School Board
Monroe, Louisiana**

Compliance

We have audited the compliance of the **City of Monroe School Board** (the School Board) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. The School Board's major Federal programs are identified in the Summary of Auditor's 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular 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, 2003.

**City of Monroe School Board
Monroe, Louisiana**

Internal Control Over Compliance

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 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.

This report is intended for the information of management of the School Board, Federal awarding agencies and pass-through entities, other entities granting funds to the School Board and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

December 19, 2003

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	C.F.D.A. NUMBER	GRANT NUMBER	CURRENT YEAR EXPENDITURES
DIRECT PROGRAMS:			
U.S. DEPARTMENT OF DEFENSE			
R.O.T.C.	N/A	Not Available	\$ 65,228
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	28-LA-2000-2701	43,122
Magnet Schools Assistance Program	84.165	S165A980035-99	41,538
Total U.S. Dept of Education			<u>84,660</u>
Total Direct Programs			149,888
PASS THROUGH PROGRAMS:			
U. S. DEPARTMENT OF EDUCATION			
Passed through Louisiana Department of Education:			
Title I Grants to Local Educational Agencies			
Part A - Basic			
2003 Regular Program	84.010	S010A020018	3,636,756
2002 Regular Program	84.010	S010A010018	240,122
2002 Carryover	84.010	02-T1-65 CO	319,970
Total Title I			<u>4,196,848</u>
SPECIAL EDUCATION CLUSTER:			
Special Education-Individuals With Disabilities Education Act IDEA B Preschool and School Programs:			
IDEA B 2003	84.027A	H027A020033	1,209,938
IDEA B 2002	84.027A	H027A010033	176,007
IDEA B Carryover	84.027A	28-02-B1-65	95,729
Preschool 2003	84.173A	H173A020082	52,082
Preschool 2002	84.173A	H173A010082	2,982
Preschool Carryover	84.173A	28-02-P1-65	12,290
Total Special Education Cluster			<u>1,549,028</u>
IDEA Part C Evaluation	84.181A	H181A020086	5,878
IDEA Part C Direct Services	84.181A	H181A020086	48,987
Total Special Education			<u>1,603,893</u>
Title VI			
2002 Regular Program	84.298A	S298A010018	5,416
2001 Carryover	84.298A	00-00-65-C	111
Class Size Reduction - 2002 Regular	84.340A	S340A010019	26,722
Class Size Reduction - 2002 Carryover	84.340A	00-01-65-6	46,077
Total Title VI			<u>78,326</u>
Title II - Part A, Teacher and Principal Training and Recruiting			
2003 Regular	84.367A	S367A020018	998,447
2002 Regular	84.367A	S281A010018	28,418
2001 Carryover	84.367A	01-50-65C	778
Total Title II			<u>1,027,643</u>

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	C.F.D.A. NUMBER	GRANT NUMBER	CURRENT YEAR EXPENDITURES
Title IV - Safe and Drug-Free Schools and Communities - State Grants			
2003 Regular	84.186A	S186A020019	\$ 21,231
2002 Regular	84.186A	S186A010019	856
Total Title IV			<u>22,087</u>
Title V - Innovative Education Program Strategies			
2003 Regular	84.298A	S298A020018	<u>69,072</u>
Adult Education -			
State Administered Basic Grant 2003	84.002A	V002A020018	42,283
State Administered Basic Grant 2001 Carryover	84.002A	V002A990019	4,339
Total Basic Grant			<u>46,622</u>
Educational Technology State Grants			
Technology Literacy High School Leadership Awards	84.318X	S318X010018	3,850
SchoolTech Grant	84.318X	S318X020018	168,340
Technology Literacy Challenge Grant 2003	84.318X	S318X020018	153,954
Technology Literacy Challenge Grant 2002	84.318X	S318X010018	20,855
Enhancing Education Through Technology	84.318X	S318X020018	89,591
Total Educational Technology State Grants			<u>436,590</u>
Vocational Education	84.048	V048A020018	<u>219,978</u>
Total U.S. Dept. of Education			<u>7,701,059</u>
U.S. DEPARTMENT OF AGRICULTURE (USDA)			
Passed through State			
Department of Education:			
CHILD NUTRITION CLUSTER:			
School Breakfast Program	10.553	Not Available	830,820
School Lunch Program	10.555	Not Available	2,322,778
Summer Feeding Program	10.559	Not Available	56,846
Total Child Nutrition Cluster			<u>3,210,444</u>
Total U.S. Dept. of Agriculture			<u>3,210,444</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (USDHHS)			
Passed through Louisiana			
Department of Education:			
Starting Point	93.558	G0002LACCDF	\$ 120,950
LA4 Preschool	93.558	G020LATANF	372,811
Pre-GED Skills Option	93.558	G020LATANF	125,965
Total U.S. Dept. of Health and Human Services			<u>619,726</u>
TOTAL PASS THROUGH PROGRAMS			<u>11,531,229</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,681,117</u>

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

A. General

The preceding Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the City of Monroe School Board (the School Board). The School Board reporting entity is defined in Note 1 to the School Board's general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule.

B. Basis of Accounting

The 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 financial statements.

C. Relationship to Special Revenue Funds

The following reconciliation is provided to help the reader of the School Board's financial statements and supplementary information relate such information to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2003:

	<u>Title I</u>	<u>Title II</u>	<u>Title IV</u>	<u>Title VI</u>	<u>Special Education</u>
Total Expenditures	\$ 3,960,193	\$ 970,571	\$ 21,608	\$ 76,685	\$ 1,518,296
Transfer of Indirect Cost	<u>236,655</u>	<u>57,072</u>	<u>479</u>	<u>1,641</u>	<u>85,597</u>
Expenditures per Schedule	<u>\$ 4,196,848</u>	<u>\$ 1,027,643</u>	<u>\$ 22,087</u>	<u>\$ 78,326</u>	<u>\$ 1,603,893</u>
	<u>Adult/ Vocational Education</u>	<u>Other Federal Programs</u>	<u>Child Nutrition Cluster</u>	<u>Impact Aid</u>	<u>R.O.T.C.</u>
Total Expenditures	\$ 390,582	\$ 1,003,330	\$ 3,210,444	\$ 43,122	\$ 65,228
Transfer of Indirect Cost	<u>1,983</u>	<u>37,631</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per Schedule	<u>\$ 392,565</u>	<u>\$ 1,040,961</u>	<u>\$ 3,210,444</u>	<u>\$ 43,122</u>	<u>\$ 65,228</u>

In addition, the School Board consumed non-cash awards in the amount of \$207,210 in the form of commodities provided by the United States Department of Agriculture.

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

Summary of Auditors Results:

- 1) The audit report on the City of Monroe School Board (the School Board) covering the fiscal year ended June 30, was unqualified;
- 2) There was one instance of reportable conditions involving internal control over financial reporting disclosed by the audit of the general purpose financial statements of the School Board, which was considered a material weakness and is presented as item 03-01;
- 3) The audit of the financial statements disclosed one instance of noncompliance which is considered to be material to the general purpose financial statements of the School Board and is presented as item 03-01;
- 4) No reportable conditions in the internal control over major programs were reported in the audit of the School Board;
- 5) The auditors' report on the School Board's compliance with requirements applicable to each major program was unqualified;
- 6) The audit of the School Board's compliance with requirements applicable to each major program did not disclose any findings required to be reported under the provisions of OMB Circular A-133 Section .510(a);
- 7) Major Federal programs for purposes of the report on compliance with the requirements applicable to each major program were Title I (CFDA No. 84.010); Child Nutrition Cluster (CFDA Nos. 10.553, 10.555 and 10.559); and Educational Technology Grants (CFDA No. 84.318);
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- 9) The School Board qualified as a low-risk auditee under the provisions of OMB Circular A-133 section .530.

Findings related to the financial statements which are required to be reported under Government Auditing Standards:

(Continued)

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

03-01 Fixed Asset Accounting

Finding:

The School Board had difficulty in providing an accurate detail listing of equipment included in General Fixed Assets at June 30, 2003. In addition, considerable time was used in verifying the amounts reported as construction-in-progress. With the School Board required to implement GASB Statement No. 34, the School Board purchased and implemented a new fixed asset software package. The School Board had to work closely with the software vendor in converting to this new system and was not able to obtain a complete listing until late December, 2003. Louisiana Revised Statute (LRS) 24:515 (B) (1) and sound internal control practices require that proper accounting records be maintained for the School Board's general fixed assets.

Recommendation:

The School Board should maintain accurate records of its fixed assets to include the date of acquisition, the initial cost, the disposition, if any, and the purpose of any disposition as well as depreciation methods and useful lives used for depreciable assets. Also, an updated record of construction-in-progress should be maintained that includes all costs related to particular projects and no costs which are not a part of the construction effort. These records should be continuously reviewed and updated to provide timely and accurate information on the fixed assets owned by the School Board.

Management's Corrective Action Plan:

The School Board now has a system in place that will allow complete and accurate information of all capital assets. The system will be continuously reviewed and updated for any improvements that may be noted. Also, the business department will monitor the records of construction-in-progress maintained by the facilities department.

CITY OF MONROE SCHOOL BOARD
Monroe, Louisiana
SUMMARY STATUS OF PRIOR YEAR FINDINGS

02-01 Bank Reconciliations

Bank Reconciliations for the School District are up to date and will continue to be completed in a timely manner. The accounting department is fully staffed and able to keep up with monthly bank reconciliations.

02-02 Budgetary Practices

All budgets and budget revisions for the school district are being entered into the Accounting System. The district is providing training to bookkeepers for various special revenue funds to ensure that all budgets, as well as budget revisions are maintained in the computer system. School board members are provided with financial updates throughout the year on the financial condition of the district.

02-03 Payroll

Both the Business Department and the Human Resources Department have worked together, in conjunction with Software providers to develop the proper internal controls . Job duties for certain employees in both the business and HR department have been revised to provide for better internal controls and more efficient use of personnel. The two departments will continue to work together to streamline operations.

02-04 Fixed Asset Accounting

The school district has worked with the software provider to correct flaws in the conversion process involving the new fixed asset software. The district can provide accurate and detailed listings of fixed assets. The fixed asset software captures purchase information based on general ledger account codes, which greatly reduces instances of omissions. Additionally, to ensure updated and accurate information on fixed assets, the school district will perform a complete physical inventory of fixed assets during fiscal year 2003-2004.

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**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2003**

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

AGREED-UPON PROCEDURES

FISCAL YEAR ENDED JUNE 30, 2003

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Francis I. Huffman, CPA
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2003**

**CITY OF MONROE SCHOOL BOARD
MONROE, LOUISIANA**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of City of Monroe School Board (the School Board) and the Legislative Auditor, State of Louisiana (collectively, the Specified Users), solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of City of Monroe School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the Specified Users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules required by state law and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,

**City of Monroe School Board
Monroe, Louisiana**

- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to School Board supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

**City of Monroe School Board
Monroe, Louisiana**

Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

The Iowa Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

Our twelve procedures enumerated above did not disclose any exceptions.

**City of Monroe School Board
Monroe, Louisiana**

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

This report is intended solely for the use of management of the Specified Users, the Louisiana Department of Education and the Louisiana Legislature and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

December 26, 2003

SCHEDULES REQUIRED BY STATE LAW

MONROE CITY SCHOOL BOARD
Monroe, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
Fiscal Year Ended June 30, 2003**

General Fund Instructional and Equipment Expenditures**General Fund Instructional Expenditures:****Teacher and Student Interaction Activities:**

Classroom Teacher Salaries	\$ 25,059,595
Other Instructional Staff Activities	2,692,804
Employee Benefits	7,136,221
Purchased Professional and Technical Services	127,351
Instructional Materials and Supplies	1,482,458
Instructional Equipment	217,486

Total Teacher and Student Interaction Activities	\$ 36,715,915
--------------------------------------------------	---------------

Other Instructional Activities

	102,557
--	---------

Pupil Support Activities

	1,991,976
--	-----------

Less: Equipment for Pupil Support Activities	-
----------------------------------------------	---

Net Pupil Support Activities	1,991,976
------------------------------	-----------

Instructional Staff Services

	2,235,091
--	-----------

Less: Equipment for Instructional Staff Services	3,882
--------------------------------------------------	-------

Net Instructional Staff Services	2,231,209
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Total General Fund Instructional Expenditures	<u>\$ 41,041,657</u>
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Total General Fund Equipment Expenditures

	<u>\$ 221,368</u>
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Certain Local Revenue Sources**Local Taxation Revenue:**

Constitutional Ad Valorem Taxes	\$ 1,902,929
Renewable Ad Valorem Tax	6,006,220
Debt Service Ad Valorem Tax	6,023,104

Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	247,316
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Total Local Taxation Revenue	<u>\$ 14,179,569</u>
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Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	\$ -
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Earnings from Other Real Property	-
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Total Local Earnings on Investment in Real Property	<u>\$ -</u>
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State Revenue in Lieu of Taxes:

Revenue Sharing-Constitutional Tax	\$ 316,427
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Revenue Sharing-Other Taxes	-
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Total State Revenue in Lieu of Taxes	<u>\$ 316,427</u>
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Nonpublic Textbook Revenue

	<u>\$ 29,431</u>
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Nonpublic Transportation Revenue

	<u>\$ -</u>
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Schedule 2

MONROE CITY SCHOOL BOARD
Education Levels of Public School Staff
As of October 1, 2002

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	-	-	-	-	-	-
Bachelor's Degree	368	58%	52	79%	-	-	-	-
Master's Degree	141	22%	14	21%	4	15%	-	-
Master's Degree +30	117	19%	-	0%	18	67%	-	-
Specialist in Education	2	0%	-	0%	2	7%	-	-
Ph.D. or Ed.D.	3	0%	-	0%	3	11%	-	-
Total	631	100%	66	100%	27	100%	-	-

CITY OF MONROE SCHOOL BOARD
Number and Type of Public Schools
Fiscal Year Ended June 30, 2003

<u>Type</u>	<u>Number</u>
Elementary	12
Middle/Junior High	3
Secondary	3
Alternative/Expulsion (K-12)	1
Drop Out Recovery School	1
Total	20

MONROE CITY SCHOOL BOARD
Experience of Public Principals and Full-time
Classroom Teachers
As of October 1, 2002

	Assistant Principals	Principals	Classroom Teachers	Total
0-1 Yr.	-	-	63	63
2-3 Yrs.	-	-	68	68
4-10 Yrs.	1	-	161	162
11-14 Yrs.	2	1	86	89
15-19 Yrs.	1	3	87	91
20-24 Yrs.	-	1	85	86
25+ Yrs.	4	14	147	165
Total	8	19	697	724

MONROE CITY SCHOOL BOARD
Experience of Public Principals and Full-time Classroom Teachers
As of June 30, 2003

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$39,202.88	\$39,171.54
Average Classroom Teachers' Salary Excluding Extra Compensation	\$38,683.66	\$38,569.60
Number of Teacher full-time Equivalents (FTEs) used in Computation of Average Salaries	701	697

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

**CITY OF MONROE SCHOOL BOARD
Class Size Characteristics
As of October 1, 2002**

School Type	Class Size Range											
	1 - 20		21-26		27 - 33		34+					
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	86.6%	1,776	13.0%	266	0.4%	9	0.0%	0	0.0%	0	0.0%	0
Elementary Activity Classes	75.4%	300	23.1%	92	1.5%	6	0.0%	0	0.0%	0	0.0%	0
Middle VJr. High	61.9%	270	31.0%	135	6.9%	30	0.2%	1	0.2%	1	0.2%	1
Middle VJr. High Activity Classes	44.1%	41	32.3%	30	18.3%	17	5.4%	5	5.4%	5	5.4%	5
High	77.1%	578	18.9%	142	3.3%	25	0.7%	5	0.7%	5	0.7%	5
High Activity Classes	92.3%	131	3.5%	5	2.1%	3	2.1%	3	2.1%	3	2.1%	3
Combination	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Combination Activity Classes	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

CITY OF MONROE SCHOOL BOARD
Louisiana Educational Assessment Program (LEAP) for the 21st Century
Three Fiscal Years Ended June 30, 2003

District Achievement Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 4												
Advanced	3	0	19	2	10	1.1	10	1	14	2	12	1.3
Proficient	71	9	108	13	81	9.1	72	9	61	8	73	8.2
Basic	354	45	292	36	323	36.3	308	39	275	34	282	31.7
Approaching Basic	212	27	250	31	283	31.8	210	26	224	28	226	25.4
Unsatisfactory	153	19	136	17	194	21.8	193	24	231	29	296	33.3
Total	793		805		891		793		805		889	

District Achievement Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 8												
Advanced	3	0	4	1	2	0	1	0	6	1	7	1
Proficient	49	8	58	9	54	8	18	3	15	2	13	2
Basic	168	28	157	25	193	28	208	34	158	23	222	29
Approaching Basic	233	38	336	54	326	48	220	36	235	31	215	28
Unsatisfactory	156	26	67	11	111	16	164	27	283	41	301	40
Total	609		622		686		611		697		758	

CITY OF MONROE SCHOOL BOARD
The Graduation Exit Exam for the 21st Century
Three Fiscal Years Ended June 30, 2003

District Achievement Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 10												
Advanced	1	0	6	1	4	1	1	0	22	4	21	4
Proficient	33	6	57	10	61	12	44	10	40	6	43	8
Basic	165	30	182	33	152	30	158	37	156	25	105	21
Approaching Basic	141	26	138	25	138	27	125	29	124	20	65	13
Unsatisfactory	202	37	172	31	158	31	104	24	282	45	276	54
Total	542		555		513		432		624		510	

District Achievement Results	Science						Social Studies					
	2003		2002		2001-#		2003		2002		2001-#	
Students	#	%	#	%	#	%	#	%	#	%	#	%
Grade 11												
Advanced	1	0	7	1			7	2	1	0		
Proficient	44	10	42	9			29	7	36	8		
Basic	158	37	161	34			184	42	174	37		
Approaching Basic	125	29	118	25			104	24	124	26		
Unsatisfactory	104	24	146	31			111	26	139	29		
Total	432		474				435		474			

= was not tested in 2001

CITY OF MONROE SCHOOL BOARD
The IOWA Tests
Three Fiscal Years Ended June 30, 2003

	Composite		
	2003	2002	2001
Test of Basic Skills (ITBS)			
Grade 3	49	45	37
Grade 5	48	44	44
Grade 6	40	45	41
Grade 7	38	36	36
 Tests of Educational Development (ITED)			
Grade 9	38	39	41

Scores are reported by National Percentile Rank. A student's National Percentile Rank shows the student's relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. A student with a score of 72 indicates that the student scored the same or better than 72 percent of the students in the norm group.