

**ORLEANS PARISH SCHOOL BOARD**  
**NEW ORLEANS, LOUISIANA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2005**

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 8-16-06

ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA

Comprehensive Annual Financial Report

June 30, 2005

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**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Principal Officials**

**June 30, 2005**

***SCHOOL BOARD MEMBERS***

**As of June 30, 2005**

Vice - President	Heidi Daniels	District 1
	Cynthia Cade	District 2
President	Jimmy Fahrenholtz, J.D.	District 3
	Lourdes Moran	District 4
	Phyllis Landrieu	District 5
	Una Anderson	District 6
	Torin Sanders	District 7

Officers are elected for a term of one calendar year by Board Members - 2005 officers are shown above.

***EXECUTIVE DIRECTOR OF BOARD OPERATIONS***

Anita P. Dumas, Ed. D.

***ADMINISTRATIVE OFFICIALS***

Superintendent (effective February 20, 2003 to June 30, 2005)	Anthony Amato, M. Ed.
Deputy Administrator to the Superintendent (from July 20, 2004)	Dr. Ora Watson
Chief Financial Officer (from April 1, 2004 to November 10, 2004)	Robert Peters
Interim Chief Financial Officer (from November 2004 to March 2005)	Julio Molleda

***AREA SUPERINTENDENTS***

Area I Superintendent (from September 3, 2003)	Matt George
Area II Superintendent (from July 24, 2003)	Dr. Julian Stafford
Area III Superintendent (from September 27, 2004)	Darryl Kilbert

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Principal Officials (continued)**

**June 30, 2005**

*DEPARTMENTAL EXECUTIVE DIRECTORS*

Quality Control/Compliance (from July 27, 1984)	James Lloyd, Ed. D.
Exceptional Children's Services (from August 20, 1999)	Rosalynne Dennis, Ph. D.
Human Resources- Interim (from February 1, 2005)	Valerie Hicks
Human Resources (from January 15, 2004 to January 28, 2005)	Dr. Edgar Dillard
Title I (from October 28, 2003)	Arthur Johnson
Facilities & Auxiliary Services (from September 23, 2003 to February 5, 2005)	Steve Freeman
Facilities & Auxiliary Services (from February 6, 2005)	Benita Cochran
Accounting Director (from December 7, 2004)	Augustus Davis
Finance Director (from August 21, 2003 to November 4, 2004)	Sue Alizadeh
Budget Director (from August 30, 2004)	Octave Rainey
Internal Audit Director (from September 27, 2004 to April 12, 2005)	Christopher Fagot



# New Orleans Public School Board

401 Nashville Avenue \* New Orleans, Louisiana \* 70115  
(504) 304-5680 office \* (504) 896-4038 fax

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*Dr. Ora Watson, Superintendent*

June 7, 2006

The President and Members  
Orleans Parish School Board

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orleans Parish School Board (OPSB) for the fiscal year ended June 30, 2005. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest with the OPSB.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the Statement of Net Assets (Deficit) and Statement of Activities of the OPSB. All disclosures necessary to enable the reader to gain an understanding of the OPSB financial activities have been included. This report also includes all funds and account groups of the School Board.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introduction Section includes this Transmittal Letter and a list of principal officials. The Financial Section includes required supplemental information (Management Discussion and Analysis), basic financial statements, and other supplemental information, as well as the independent auditors' report on the basic financial statements. The Statistical Section includes selected financial and demographic information, which is generally presented on a multi-year basis.

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

All funds and entities controlled by or dependent on the OPSB are included in the CAFR. These financial statements present the Board as the primary government. It has two active component units, the New Orleans Charter Middle School (NOCMS), operated by Middle School Advocates, Inc. and James M. Singleton Charter Middle School. These schools are presented as discrete component units and are included in the reporting entity because they are fiscally dependent on the OPSB.

Page 2

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

Respectfully,

A handwritten signature in cursive script, appearing to read "Ora L. Watson". The signature is written in black ink and is positioned above the printed name.

Ora L. Watson, Ph.D., Superintendent  
New Orleans Public Schools



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### INDEPENDENT AUDITORS' REPORT

#### The Orleans Parish School Board

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Parish School Board (School Board) as of and for the year ended June 30, 2005, 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. We were not engaged to audit the financial statements of the New Orleans Charter Middle School whose statements reflect total assets of \$2,797,409 as of June 30, 2005, and total revenues of \$1,853,693, for the year then ended, or the financial statements of James M. Singleton, Charter Middle School whose statements reflect total assets of \$769,398 as of June 30, 2005, and total revenues of \$2,313,844, for the year then ended. The financial statements of the component units were compiled by other accountants.

The basic accounting and reporting systems for cash balances, revenues, receivables, disbursements, accounts payable, accrued liabilities, deferred revenue, payroll, and fixed assets were not effective during the year ended June 30, 2005 which resulted in inadequate accounting records. The magnitude of these systems was of such significance to the financial records and the overall financial reporting to the School Board that we were unable to gather sufficient competent evidential matter to complete our audit.

We were unable to obtain audit evidence of the activity of the transactions and resulting receivables and payables between funds. As a result, the accuracy and appropriateness of these transactions and balances cannot be determined.

Because of the significance of the uncertainties described above, and since the scope of the work, as described above, was not sufficient, we are unable to express and we do not express, an opinion on the School Board's basic financial statements as listed in the table of contents.

The management's discussion and analysis and budgetary comparison information on pages xi through xxii and pages 48 through 51, respectively, 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.

The accompanying supplementary information consisting of the introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2006 on our consideration of the Orleans Parish School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control or on compliance. 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.

*Poottithurait & Metturilly*

New Orleans, Louisiana  
June 16, 2006

**ORLEANS PARISH SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Overview and Analysis of Financial Activities**

The Orleans Parish School Board (School Board), as the financial manager of the Orleans Parish School System, offers the readers of these financial statements an overview and analysis of the financial activities of the School Board. This overview and analysis is designed to assist the users of these financial statements in focusing on significant issues, identify significant changes in the School Board's financial position both at the government-wide and fund levels, and highlight material changes from the School Board's approved budget documents.

Our discussion and analysis of the School Board's financial performance provide an overview of its financial activities for the fiscal years ended June 30, 2005 and 2004. This discussion and analysis should be read in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages vii through vii, and the financial statements on pages 1 through 74.

**Financial Highlights**

At June 30, 2005 and 2004, the School Board's total assets of \$321,999,959 and \$397,442,539 were less than total liabilities by \$100,444,563 and \$63,938,341 respectively.

The overall decrease in total assets for the fiscal year ended June 30, 2005 (fiscal 2005) resulted primarily from the reduction in taxes receivable, due from Fiduciary Funds, due from other governments and capital assets.

The overall decrease in net assets of approximately \$36.5 million resulted primarily from the following: (1) expenditures exceeded revenues in Special Revenue by approximately \$25 million. The School District was unable to successfully recover amounts expended on various projects from grant agencies; (2) an increase of \$6.6 million in the liability claims payable due to increased litigation; (3) an increase of \$15.5 million in the liability for compensated absences; (4) an increase in the Debt Service funds resulting primarily from the excess of property tax revenues over debt service requirements for the General Obligation bonds; (5) three prior period adjustments which resulted in a \$3.6 million increase in net assets.

Program revenues for fiscal 2005 were \$83,942,675 or 16% of total revenue, as compared to \$108,855,756 or 20% for the fiscal year ended June 30, 2004 (fiscal 2004).

General revenues for fiscal 2005 increased by 1.0% from fiscal 2004, due primarily to increases in ad valorem taxes and Minimum Foundation Revenues offset somewhat by decreases in sales and use taxes and miscellaneous revenues.

**ORLEANS PARISH SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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**Using this Comprehensive Annual Financial Report**

The **School Board's** Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements that show information for the **School Board** as a whole, its funds, and its fiduciary responsibilities.

*Government-wide Financial Statements* (pages 1-4) include the Statements of Net Assets (Deficit) and Activities respectively, provide information about the activities of the **School Board** as a whole and present a longer-term view of the **School Board's** finances. In summary, the government-wide financial statements show the results of operations and financial position using the *total economic resources* measurement focus and the accrual basis of accounting which emphasizes the long-term financial picture and are very similar to the financial statements of the private sector.

*Fund Financial Statements* (pages 5-17) present information for three fund categories - governmental, proprietary and fiduciary. Financial statements for governmental funds tell how we financed our services in the short-term as well as what remains for future spending. These fund statements provide the reader with some insights into the **School Board's** overall financial health. In short, the fund-level financial statements show the results of operations and financial position using the *current financial resources* measurement focus and modified accrual basis of accounting, emphasizing the change in fund balances as a result of the current year's operations, as well as the amount of resources available to spend.

Fund financial statements also report the **School Board's** operations in more detail than the government-wide financial statements by providing information about the **School Board's** most significant fund(s) - such as the General Fund, the Improving America's Schools Act/No Child Left Behind Act Fund, IDEA and the Capital Projects (General Obligation Bond) Fund. The Governmental Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances include the major funds as well as an aggregate of the remaining funds that report general government operations. Proprietary Funds - Internal Service are an accounting device used to accumulate and allocate costs internally among the **School Board's** major functions/funds. The **School Board** uses internal service funds for certain of its risk/insurance and print shop costs. Because these services predominantly benefit the governmental rather than business-type functions they are included within governmental activities in the government-wide financial statements.

The remaining statements, the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds and the Statement of Revenues, Expenses and Changes in Net Assets for the Proprietary Funds, present financial information about activities for which the **School Board** acts solely as an agent for the benefit of students and parents and the financing of services provided by one department to others of the **School Board**, respectively.

Other sections include *Notes to the Basic Financial Statements* (pages 18-47) and certain *Required Supplementary Information* (pages 48-52).

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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**Using this Comprehensive Annual Financial Report, Continued**

Our auditors indicated that they are unable to and do not issue an opinion on the Basic Financial Statements in their independent auditor's report, located immediately preceding this Management's Discussion and Analysis.

**Reporting on School Board as a Whole**

The **School Board** implemented Governmental Accounting Standard Statement No. 34 and related amendments starting with the fiscal year ended June 30, 2002. Consistent with prior fiscal years the current year's statements focus on the **School Board** as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major funds), allow the reader of the financial statements to address relevant questions and broaden a basis for comparison (year to year).

One of the most important questions asked about the **School Board's** finances is, "Is the **School Board** better or worse off as a result of the year's activities?" The Statement of Net Assets (Deficit) and the Statement of Activities, shown on pages 1-4, report information about the **School Board** as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received and/or paid.

Also, component units are separate legal entities to which the **School Board** may be obligated to provide financial assistance and are presented as a separate column in the government-wide and as individual activities in the accompanying financial statements.

Statements of Net Assets (Deficit) and Activities, report the **School Board's** net assets or deficit and changes in them. The change in net assets (deficit) provides the reader a tool to assist in determining whether the **School Board's** financial health is improving or deteriorating. However, the **School Board's** primary responsibility or mandate is to provide instructional and related services to its student population. As such, the Statements of Net Assets (Deficit) and Activities for the **School Board**, report governmental activities such as instruction, support services, interest on debt and food services. Most of these activities are financed with taxes (ad valorem, sales and use), Minimum Foundation Program funds (MFP), and state and federal grants. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the **School Board**.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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**Reporting School Board's Most Significant Funds**

*Fund Financial Statements*

Our analysis of the **School Board's** major funds begins on page 5 of the basic financial statements. The fund financial statements provide detailed information about the most significant funds - not the **School Board** as a whole. Some funds are required to be established by State law and by bond covenants. However, the **School Board** has established other funds to help it control and manage for particular purposes (such as the Child Nutrition) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as grants from the Department of Education). The **School Board's** funds (governmental, proprietary and fiduciary) use the following accounting approach:

*Governmental Funds* - All of the **School Board's** services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting. The governmental fund statements provide a detail *short-term view* of the **School Board's** operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the **School Board's** programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets (Deficit) and the Statement of Activities) and governmental funds through reconciliation to the basic financial statements on page 12 of the financial statements.

*Proprietary Funds* - Proprietary funds for the **School Board** use the accrual basis of accounting, the same as on the government-wide statements. These funds are used to account for the financing services provided by the **School Board's** departments, (such as health, life insurance, workers' compensation, print shop, etc.). The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows reports are presented on pages 13-15 of the basic financial statements.

*Fiduciary Funds* - The **School Board** is the trustee, or fiduciary, for its student activities funds. All of the **School Board's** fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 16 and 17 of the basic financial statements, respectively. We exclude these activities from the **School Board's** other financial statements because the assets cannot be utilized by the **School Board** to finance its operations.

*Infrastructure Assets*

The **School Board's** capital assets include land, construction-in-progress and exhaustible capital assets (buildings and improvements, equipment, furniture and fixtures, transportation, etc.) that are used in operations.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**Government-wide Financial Analysis**

The School Board's net assets (deficits) were \$(100,444,563) at June 30, 2005 and \$(63,938,341) at 2004. Of these deficits, \$(83,198,316) and \$(69,435,635) were unrestricted at June 30, 2005 and 2004, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, capital projects and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. As of June 30, 2005 and June 30, 2004, the restricted net assets amounted to \$49,206,038 and \$58,494,627 respectively.

The following analysis focuses on the Statement of Net Assets (Deficit) (Table 1) and Statement of Activities (Table 2) of the School Board's governmental activities.

TABLE 1  
 Condensed Comparative Statements of Net Assets (Deficit)  
 At June 30, 2005 and 2004

	<u>Governmental Activities</u>		<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent (%)</u>
	<u>2005</u>	<u>2004</u>		
Current and other assets	\$ 86,772,841	\$ 159,469,182	\$ (72,696,341)	(45.59)
Capital assets, net	<u>235,227,118</u>	<u>237,973,357</u>	<u>(2,746,239)</u>	(1.15)
Total assets	<u>321,999,959</u>	<u>397,442,539</u>	<u>(75,442,580)</u>	(18.98)
Current and other liabilities	69,089,308	107,543,628	(38,454,320)	(35.76)
Long-term liabilities	<u>353,355,214</u>	<u>353,837,252</u>	<u>(482,038)</u>	(0.14)
Total liabilities	<u>422,444,522</u>	<u>461,380,880</u>	<u>(38,936,358)</u>	(8.44)
Net assets (Deficit):				
Invested in capital assets, net of debt	(66,452,285)	(52,997,333)	(13,454,952)	(25.39)
Restricted	49,206,038	58,494,627	(9,288,589)	(15.88)
Unrestricted	<u>(83,198,316)</u>	<u>(69,435,635)</u>	<u>(13,762,681)</u>	(19.82)
Total net assets (deficit)	\$ <u>(100,444,563)</u>	\$ <u>(63,938,341)</u>	\$ <u>(36,506,222)</u>	(57.10)

**ORLEANS PARISH SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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**Government-Wide Financial Analysis, Continued**

At June 30, 2005, the \$(100,444,563) net deficit in assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (for example estimated compensated absences and claims), we would have insufficient unrestricted assets.

Capital assets decreased slightly from June 30, 2004 to June 30, 2005 by a net amount of \$ 2,746,239. The primary composition of the net change includes the excess of current year depreciation over equipment purchased and building renovation. See the notes in the accompanying financial statements for additional discussion regarding depreciation methods and related accumulated depreciation.

Long-term liabilities decreased by \$482,038. The primary composition of the net change includes a reduction in bonds payable, offset by an increase in interest payable, compensated absences and claims payable. See Note 14 in the accompanying financial statements for additional discussion regarding litigation.

The results of this year's operations for the **School Board** as a whole are reported in the Statement of Activities. Table 2 takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see the **School Board's** total revenues and expenses for the fiscal years ended June 30, 2005 and 2004.

Total revenues for all governmental activities for the two fiscal years ended June 30, 2005 and June 30, 2004 were \$519,848,000 and \$540,510,000, respectively. Operating grants and contributions declined from \$108,269,515 in fiscal 2004 to \$83,163,345 in fiscal 2005. Ad valorem tax revenues for fiscal year 2005 increased by \$7,973,016. The increase in ad valorem tax revenue resulted from an increase in assessed property valuations. Sales and use tax revenue, on the other hand, declined by \$3,199,313.

**Government-Wide Financial Analysis, Continued**

The overall increase in costs is due primarily to the **School Board's** continued focus on the provisions of instructional and related support services aimed at academic excellence of its student population. Specifically, the increase in personnel and related benefit costs, as well as the effect of inflationary pressures, on other costs in the area of general administration of the **School Board's** activities contributed to the increase in the cost functions previously described.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**TABLE 2**  
**Condensed Comparative Statement of Activities (in thousands)**  
**For the Years Ended June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Variance</u>	<u>Variance</u>
	<u>2005</u>	<u>2004</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
			<u>Amount</u>	<u>Percent (%)</u>
<b>Revenues</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 779	\$ 586	\$ 193	32.94
Operating grants	<u>83,164</u>	<u>108,269</u>	<u>(25,105)</u>	(23.19)
Total program revenues	<u>83,943</u>	<u>108,855</u>	<u>(24,912)</u>	(22.89)
<b>General Revenues:</b>				
Ad valorem taxes	110,867	102,894	7,973	7.75
Sales taxes	90,054	93,253	(3,199)	(3.43)
Investment earnings	1,129	795	334	42.01
Grants and contributions	218,612	216,754	1,858	0.86
Other general revenues	<u>15,243</u>	<u>17,959</u>	<u>(2,716)</u>	(15.12)
Total general revenues	<u>435,905</u>	<u>431,655</u>	4,250	0.98
Total revenues	<u>519,848</u>	<u>540,510</u>	<u>(20,662)</u>	(3.82)

(continued)

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**Government-wide Financial Analysis, Continued**

TABLE 2, Continued  
 Condensed Comparative Statement of Activities (in thousands)  
 For the Years Ended June 30, 2005 and 2004

	<u>Governmental Activities</u>		<u>Variance</u>	<u>Variance</u>
	<u>2005</u>	<u>2004</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
			<u>Amount</u>	<u>Percent (%)</u>
<b>Functions/Program Expenses</b>				
Instruction:				
Regular programs	\$194,806	\$186,936	7,870	4.21
Special education programs	66,739	62,667	4,072	6.50
Other instructional programs	59,181	68,859	(9,678)	(14.05)
Support Services:				
Student services	34,503	33,016	1,487	4.50
Instructional staff support	27,902	17,740	10,162	57.28
General administration	12,685	10,367	2,318	22.36
School administration	25,266	24,388	878	3.60
Business services	10,158	13,809	(3,651)	(26.44)
Plant services	48,790	48,864	(74)	(.15)
Student transportation services	19,415	19,878	(463)	(2.33)
Central services	20,320	17,276	3,044	17.62
Other	455	0	455	n/a
Food services	23,723	25,798	(2,075)	(8.04)
Interest on long-term debt	17,141	17,866	(725)	(4.06)
Other	<u>0</u>	<u>1,232</u>	<u>(1,232)</u>	<u>(100.00)</u>
Total expenses	<u>561,084</u>	<u>548,696</u>	<u>12,388</u>	<u>2.26</u>
Change in net assets	<u>(41,236)</u>	<u>(8,186)</u>	<u>(33,050)</u>	403.74
Beginning net assets (deficit)	(63,939)	(59,494)	(4,445)	(7.47)
Prior periods adjustments	<u>4,730</u>	<u>3,742</u>	<u>988</u>	26.40
Beginning net assets (deficit), as restated	<u>(59,209)</u>	<u>(55,752)</u>	<u>(3,457)</u>	(6.20)
Ending net assets (deficit)	<u>\$(100,445)</u>	<u>\$(63,938)</u>	<u>\$(36,507)</u>	<u>(57.10)</u>

**ORLEANS PARISH SCHOOL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**Government-wide Financial Analysis, Continued**

As reported in the Statement of Activities, the total costs of all of our governmental activities for the two fiscal years ended June 30, 2005 and 2004 were \$561,083,754 and \$ 548,696,073, respectively. Some of the costs were paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions of \$83,163,345 for 2005 and \$108,269,515 for 2004. We paid for the remaining "public benefit" portion of our governmental activities with revenues from sales and ad valorem taxes of \$200,920,491 for 2005 and \$196,146,788 for 2004. Additionally, \$218,612,049 for 2005 and \$216,754,244 for 2004 in State MFP funds as well as other revenues including interest and State revenue sharing paid for the remaining public benefit.

Also, the Statement of Activities for the School Board shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 below reflects the cost of program services and the net costs of those services after taking into account the program revenues for the governmental activities, general revenues (including tax revenue) investment earnings and unrestricted State entitlements used to support the net costs of the School Board's programs.

**TABLE 3  
Comparative Governmental Activities (in thousands)  
For the Years Ended June 30,**

	-----2005-----		-----2004-----	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Regular instruction programs	\$194,806	\$172,061	\$186,936	\$155,488
Special instruction programs	66,739	58,685	62,667	51,819
Other education programs	59,181	51,980	68,859	56,771
Student services	34,503	30,299	33,016	27,471
Instructional staff support	27,902	24,509	17,740	14,634
General administration	12,685	11,165	10,367	8,596
School administration services	25,266	22,332	24,388	20,324
Central services	20,320	17,843	17,276	14,238
Business services	10,158	8,933	13,809	11,400
Student transportation services	19,415	17,155	19,878	16,523
Plant services	48,790	42,841	48,864	40,273
Other	455	455	1,232	1,232
Food services	23,723	1,742	25,798	3,205
Interest on long-term debt	<u>17,141</u>	<u>17,141</u>	<u>17,866</u>	<u>17,866</u>
Totals	<u>\$561,084</u>	<u>\$477,141</u>	<u>\$548,696</u>	<u>\$439,840</u>

Overall, the net cost of services in fiscal 2005 increased by approximately 8.5%. There were marked increases in the categories of regular and special instruction programs, student services, and instructional staff support while the areas of other educational programs, business services and interest on long-term debt decreased. Major reasons for the variances may be attributed to emphasis on different academic programs, management staffing and a reduction in operating grants and contributions.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

---

**School Board's Funds**

The **School Board** uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the **School Board** is being accountable for the resources taxpayers and others provide to it. It may also give you more insight into the **School Board's** overall financial health.

Revenues for governmental funds totaled \$519,847,658 for fiscal 2005, which represented a decrease of \$20,662,834 from fiscal 2004 revenues of \$540,510,492. Expenditures for governmental funds totaled \$548,399,162 for fiscal year 2005, which represented a decrease of \$8,919,939 from fiscal year revenues of \$557,319,101.

The School Board's governmental funds reported a combined fund balance of \$47,292,236 for fiscal 2005 and \$79,528,113 for fiscal 2004. The decrease in fund balance of \$28,551,504 from fiscal 2004, results from a deficiency in revenues over expenses and other financing sources and uses coupled with a prior period adjustment in the amount of \$3,684,373 to correct an overstatement of sales tax revenue.

Other significant changes in governmental funds follow:

*General Fund*

Reassessment of property values for ad valorem taxes resulted in an increase in property assessments in 2005. The increased assessments and aggressive collection effort of the taxes by the City of New Orleans in 2005 resulted in an increase in ad valorem tax revenue by approximately \$8.0 million.

*Special Revenue Funds*

Revenues for IASA/NCLB totaled \$39,006,621 for fiscal 2005, while expenditures totaled \$60,753,781. The General Fund subsidized the excess expenditures for IASA/NCLB. Revenues for IDEA totaled \$11,219,129 for fiscal 2005 while expenditures totaled \$11,250,691.

*Capital Projects (General Obligation Bonds) and Other Capital Projects Funds*

For Capital Projects funded by the General Obligation bond, capital outlays in connection with renovations and repairs to capital assets amounted to \$3,480,019. Overall, expenditures for all of the School Board's Capital Projects Funds in fiscal 2005 totaled \$6,890,693.

*General Fund Budget Information*

Over the course of the year, the School Board revises its budget as it attempts to deal with unexpected changes in revenues and expenditures.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

---

**Capital Asset and Debt Administration**

*Capital Assets*

At June 30, 2005 and 2004, the School Board had invested in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, transportation equipment, and construction-in-progress.

A comparative analysis of capital assets follows:

	<u>Governmental Activities</u>	
	----- June 30, -----	
	<u>2005</u>	<u>2004</u>
Land	\$ 29,540,926	\$ 29,540,926
Buildings and improvements	474,313,624	474,247,849
Furniture and equipment	45,210,679	43,275,913
Transportation equipment	13,246,078	13,246,078
Construction-in-progress	<u>23,711,023</u>	<u>19,086,204</u>
<b>Totals</b>	<b><u>\$586,022,330</u></b>	<b><u>\$579,396,970</u></b>

See Notes 2H and 6 in the accompanying Notes to Financial Statements, for additional information regarding capitalization and depreciation policies and changes in capital assets for fiscal 2005.

*Debt*

Obligations include bonds, notes payable, capitalized leases and other long-term obligations including accrued vacation and sick leave pay. We present more detailed information about our long-term liabilities in Note 9 in the notes to the accompanying financial statements.

Pursuant to the requirements of LSA-R.S. 39:562, the School Board is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of the taxable property (including homestead exempt and non-exempt property) within the Parish of Orleans. At June 30, 2005 and 2004 the statutory debt limit for general obligation bonds as \$748,517,040 and \$911,613,485, respectively with a net legal debt margin of \$569,575,508 in fiscal 2005 and \$780,423,197 in fiscal 2004.

**Economic Factors and Next Year's Budgets and Rates**

Expenses and expenditures are expected to decrease in order provide the School Board with improved cash flow and to reduce the deficit in the fund balance.

**ORLEANS PARISH SCHOOL BOARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

---

**Contacting the School Board's Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the **School Board's** finances and to show the **School Board's** accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Tim Russell, Controller, telephone number (504) 304-5680 or Ms. Thelma French, Administrator of the Office of Government and Community Relations, telephone number (504) 304-5680, at Orleans Parish School Board, 401 Nashville Avenue, New Orleans, Louisiana 70115.

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2005**

**ASSETS**

	<u>Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 38,894,485	\$ 2,301,931
Investments	428,644	-
Taxes Receivable:		
Sales tax	2,439,478	-
Ad valorem taxes	15,895,320	-
Due from Fiduciary Funds	38,703	-
Due from other governments	21,097,378	-
Prepaid items	3,233,221	61,413
Inventory	1,281,042	-
Other receivables	3,464,570	72,173
Capital assets		
Land	29,540,926	-
Capital assets, net of accumulated depreciation	205,686,192	1,131,290
	<hr/>	<hr/>
TOTAL ASSETS	\$ 321,999,959	\$ 3,566,807

**LIABILITIES AND NET ASSETS (DEFICIT)**

**LIABILITIES**

Accounts payable	\$ 10,050,884	\$ 317,105
Payroll withholdings	13,496,604	-
Salaries payable	5,271,512	192,755
Other payables	9,455,443	61,002
Accrued interest payable	4,733,074	-
Due to other governments	335,462	-
Deferred revenues	869,600	-
Long-term liabilities		
Bonds, notes and capitalized leases due within one year	21,582,232	507,591
Bonds, notes and capitalized leases due in more than one year	250,363,668	-
Interest payable	25,000,430	-
Compensated absences due within one year	3,293,497	-
Compensated absences due in more than one year	23,950,192	-
Claims payable	54,040,924	-
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 422,444,522	\$ 1,078,453

(continued)

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
**JUNE 30, 2005**

**LIABILITIES AND NET ASSETS (DEFICIT)**

**NET ASSETS**

	<u>Primary Government</u>	<u>Component Units</u>
Invested in capital assets, net of related debt	\$ (66,452,285)	\$ 1,123,699
Restricted for:		
School Food Service	721,661	-
Debt Service	32,819,706	-
Capital Projects	15,664,671	400,000
Unrestricted	(83,198,316)	964,655
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ (100,444,563)</b>	<b>\$ 2,488,354</b> (concluded)

The accompanying notes are an integral part of this statement.

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Units
<b>Primary Government:</b>					
<b>Instruction:</b>					
Regular education programs	\$ 194,806,464	\$ -	\$ 22,745,913	\$ (172,060,551)	\$ -
Special education programs	66,739,302	-	8,054,776	(58,684,526)	-
Other education programs	59,180,964	-	7,200,815	(51,980,149)	-
<b>Support Services:</b>					
Student services	34,502,987	-	4,204,370	(30,298,617)	-
Instructional staff support	27,901,552	-	3,392,302	(24,509,250)	-
General administration services	12,684,929	-	1,519,840	(11,165,089)	-
School administration services	25,265,587	-	2,933,677	(22,331,910)	-
Business services	10,157,784	-	1,224,310	(8,933,474)	-
Student transportation services	19,415,241	-	2,260,457	(17,154,784)	-
Central services	20,320,371	-	2,477,518	(17,842,853)	-
Plant services	48,790,355	-	5,948,661	(42,841,694)	-
Other	454,438	-	-	(454,438)	-
Food services	23,722,467	779,330	21,200,706	(1,742,431)	-
Interest on long-term debt	17,141,313	-	-	(17,141,313)	-
<b>Total Primary Government</b>	<b>561,083,754</b>	<b>779,330</b>	<b>83,163,345</b>	<b>(477,141,079)</b>	<b>-</b>
<b>Component Units</b>					
New Orleans Charter Middle School	2,084,845	-	-	-	(2,084,845)
James M. Singleton Charter Middle School	2,203,053	-	-	-	(2,203,053)
<b>Total Component Units</b>	<b>4,287,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,287,898)</b>

(continued)

The accompanying notes are an integral part of this statement.

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**STATEMENT OF ACTIVITIES - continued**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Units
Net Expenses from previous page	\$ (477,141,079)	\$ (4,287,898)
General revenues		
Taxes:		
Ad valorem (property) taxes	110,866,811	-
Sales and use taxes	90,053,680	-
State revenue sharing	2,850,361	-
Grants and contributions not restricted to specific purposes:		
Minimum Foundation Program	218,612,049	-
Orleans Parish School Board	-	4,089,700
Interest and investment earnings	1,129,215	44,670
Miscellaneous	12,392,869	33,167
Total general revenues	435,904,985	4,167,537
Change in net assets	(41,236,094)	(120,361)
Net assets (deficit) - June 30, 2004, as previously reported	(63,938,341)	2,608,715
Prior period adjustments (note 3)	4,729,872	-
Net assets (deficit) - June 30, 2004, as restated	(59,208,469)	2,608,715
Net assets (deficit) - June 30, 2005	\$ (100,444,563)	\$ 2,488,354

(concluded)

**ORLEANS PARISH SCHOOL BOARD**

New Orleans, Louisiana

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2005

	<u>General</u>	<u>IASA/NCLB</u>	<u>IDEA</u>	<u>Capital Projects (GO Bonds)</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,880,474	\$ -	\$ -	\$ 14,995,775
Investments	-	-	-	-
Taxes Receivable:				
Sales tax	2,439,478	-	-	-
Ad valorem taxes	15,895,320	-	-	-
Due from other funds	-	-	-	-
Due from other governments	1,036,247	9,516,918	7,030,562	-
Prepaid items	1,268,192	-	-	-
Inventory	559,381	-	-	-
Other receivables	1,127,689	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 42,206,781</b>	<b>\$ 9,516,918</b>	<b>\$ 7,030,562</b>	<b>\$ 14,995,775</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 7,451,455	\$ 1,891,443	\$ 33,013	\$ 84,097
Payroll withholdings	13,496,604	-	-	-
Salaries payable	4,001,554	510,322	186,210	54,793
Other payables	2,693,166	-	-	-
Due to other funds	16,599,059	7,115,153	6,701,998	-
Due to other governments	6,000	-	109,341	-
Deferred revenues	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>44,247,838</b>	<b>9,516,918</b>	<b>7,030,562</b>	<b>138,890</b>
Fund balances:				
Reserved for:				
Inventory	559,381	-	-	-
Debt service	-	-	-	-
Prepaid items	1,268,152	-	-	-
Capital items	-	-	-	14,856,885
Unreserved, reported in:				
General Fund - Undesignated	(3,868,590)	-	-	-
Special Revenue Fund	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(2,041,057)</b>	<b>-</b>	<b>-</b>	<b>14,856,885</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 42,206,781</b>	<b>\$ 9,516,918</b>	<b>\$ 7,030,562</b>	<b>\$ 14,995,775</b>

(continued)

The accompanying notes are an integral part of this statement.

Other			
Governmental		Total	
\$ 3,896,677		\$ 38,772,926	
428,644		428,644	
-		2,439,478	
-		15,895,320	
29,939,388		29,939,388	
3,513,651		21,097,378	
-		1,268,192	
721,661		1,281,042	
485,549		1,613,238	
<u>\$ 38,985,570</u>		<u>\$ 112,735,606</u>	

\$ 793,569		\$ 10,253,577	
-		13,496,604	
481,087		5,233,966	
-		2,693,166	
2,143,785		32,559,995	
221,121		336,462	
869,600		869,600	
<u>4,509,162</u>		<u>65,443,370</u>	

721,661		1,281,042	
32,819,706		32,819,706	
-		1,268,152	
807,786		13,664,671	
-		(3,868,590)	
127,255		127,255	
<u>34,476,408</u>		<u>47,292,236</u>	
<u>\$ 38,985,570</u>		<u>\$ 112,735,606</u>	
		(concluded)	

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total Fund Balances at June 30, 2005 - Governmental Funds		\$ 47,292,236
Cost of capital assets at June 30, 2005	\$ 586,022,330	
Less: Accumulated depreciation as of June 30, 2005:		
Buildings	(307,194,175)	
Movable property	(43,601,037)	235,227,118
Consolidation of Internal Service Funds		100
Long-term liabilities at June 30, 2005:		
Bonds payable	(253,398,732)	
Capital leases	(10,305,647)	
Notes payable	(8,241,521)	
Interest payable	(29,733,504)	
Claims payable	(54,040,924)	
Compensated absences payable	(27,243,689)	(382,964,017)
Total net assets (deficit) at June 30, 2005 - governmental activities		<u>\$ (100,444,563)</u>

The accompanying notes are an integral part of this statement.

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**June 30, 2005**

	General	IASA/NCLB	IDEA
<b>REVENUES</b>			
Local sources:			
Ad valorem taxes	\$ 95,086,833	\$ -	\$ -
Sales and use tax	90,053,680	-	-
Earnings on investments	583,283	-	-
Food services	-	-	-
Other	9,411,497	1,196,112	-
State and federal sources:			
Minimum Foundation Program	217,731,249	-	-
Other	5,976,975	-	-
Federal sources	878,242	37,810,509	11,219,129
<b>TOTAL REVENUES</b>	<b>419,721,759</b>	<b>39,006,621</b>	<b>11,219,129</b>

**EXPENDITURES**

Current:

Instruction:			
Regular programs	165,776,902	5,610,974	6,052
Special programs	53,973,784	67	8,576,600
Other programs	7,104,077	43,319,086	(62,552)
Support:			
Student services	31,991,866	493,437	226,722
Instructional staff support	12,493,798	10,830,238	2,476,252
General administration	11,867,615	-	-
School administration	22,885,725	13,304	-
Business services	9,401,343	158,635	-
Student transportation services	17,033,284	106,618	22,060
Central services	19,227,657	10,988	-
Plant services	46,288,702	154,944	1,368
Food services	130,967	-	-
Capital outlay	630,225	-	-
Other	39,660	55,489	4,189

(continued)

Capital Projects (GO Bonds)	Other Governmental	Total
\$ -	\$ 15,779,978	\$ 110,866,811
-	-	90,053,680
445,164	100,767	1,129,214
-	779,330	779,330
-	1,785,260	12,392,869
-	880,800	218,612,049
-	3,662,202	9,639,177
-	26,466,648	76,374,528
445,164	49,454,985	519,847,658

-	6,216,656	177,610,584
-	344,955	62,895,406
-	5,866,677	56,227,288
-	117,632	32,829,657
-	688,370	26,488,658
-	-	11,867,615
-	8,469	22,907,498
-	-	9,559,978
-	488,727	17,650,689
-	106,957	19,345,602
-	4,866	46,449,880
-	22,582,999	22,713,966
3,480,019	2,780,449	6,890,693
120	20,125	119,583

(continued)

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - continued**

**June 30, 2005**

	<u>General</u>	<u>IASA/NCLB</u>	<u>IDEA</u>
<b>EXPENDITURES, continued</b>			
Debt Service:			
Principal retirement	\$ 715,342	\$ -	\$ -
Interest and bank charges	355,570	-	-
Bond issuance cost	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>399,916,517</u>	<u>60,753,780</u>	<u>11,250,691</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>19,805,242</u>	<u>(21,747,159)</u>	<u>(31,562)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	28,309,259	21,770,444	33,146
Transfers out	(46,591,165)	(23,285)	(1,584)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(18,281,906)</u>	<u>21,747,159</u>	<u>31,562</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	1,523,336	-	-
<b>PRIOR PERIOD ADJUSTMENT</b>	(3,684,373)	-	-
<b>FUND BALANCES, JUNE 30, 2004</b>	<u>119,980</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30, 2005</b>	<u>\$ (2,041,057)</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Capital Projects (GO Bonds)	Other Governmental	Total
\$ -	\$ 19,045,000	\$ 19,760,342
-	14,577,403	14,932,973
-	148,750	148,750
<u>3,480,139</u>	<u>72,998,035</u>	<u>548,399,162</u>
<u>(3,034,975)</u>	<u>(23,543,050)</u>	<u>(28,551,504)</u>
-	25,087,045	75,199,894
<u>(8,524,189)</u>	<u>(20,059,571)</u>	<u>(75,199,894)</u>
<u>(8,524,189)</u>	<u>5,027,374</u>	<u>-</u>
(11,559,164)	(18,515,676)	(28,551,504)
-	-	(3,684,373)
<u>26,416,049</u>	<u>52,992,084</u>	<u>79,528,113</u>
<u>\$ 14,856,885</u>	<u>\$ 34,476,408</u>	<u>\$ 47,292,236</u>
		(concluded)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS -  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2005

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds		\$	(28,551,504)
Capital Assets:			
Capital outlay and other expenditures capitalized	\$	4,690,594	
Depreciation expense for year ended June 30, 2005		(12,562,242)	
Assets deleted in the year ended June 30, 2005		<u>-</u>	(7,871,648)
Change in net assets of internal service funds			(115,426)
Long Term Debt:			
Principal portion of debt service payments		19,760,342	
Excess of interest paid over interest accrued		608,690	
Accretion of interest on compound interest refunding bond		(2,817,030)	
Increase in estimate of long term claims payable		(6,656,760)	
Excess of compensated absences earned over amounts used		(15,522,078)	
Other increases		<u>(70,680)</u>	(4,697,516)
Change in Net Assets (Deficit) - Governmental Activities			<u>\$ (41,236,094)</u>

The accompanying notes are an integral part of this statement.

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**PROPRIETARY FUNDS - INTERNAL SERVICE**  
**BALANCE SHEET**  
**JUNE 30, 2005**

**ASSETS**

Cash and cash equivalents	\$ 121,559
Other receivables	1,851,332
Due from other funds	6,336,321
Prepaid insurance	1,965,029
	<hr/>
TOTAL ASSETS	\$ 10,274,241
	<hr/>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ (202,693)
Wages payable	37,545
Due to other funds	3,677,012
Claims payable	6,762,277
	<hr/>

TOTAL LIABILITIES 10,274,141

Net Assets:

Unrestricted	<hr/> 100
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TOTAL LIABILITIES AND  
NET ASSETS \$ 10,274,241

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD  
New Orleans, Louisiana  
PROPRIETARY FUNDS - INTERNAL SERVICE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FISCAL YEAR ENDED JUNE 30, 2005

<u>OPERATING REVENUES</u>	
Employer contributions	\$ 29,978,248
Employee contributions	11,533,172
Other miscellaneous revenue	<u>19,111,019</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>60,622,439</b></u>
 <u>OPERATING EXPENSES</u>	
Premium payments	57,049,609
Other expenses	<u>3,688,256</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>60,737,865</b></u>
<b>NET OPERATING LOSS</b>	<b>(115,426)</b>
Transfers out	-
Transfers in	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>(115,426)</b>
<u>NET ASSETS, AT JUNE 30, 2004</u>	<u>115,526</u>
<u>NET ASSETS, AT JUNE 30, 2005</u>	<u><u>\$ 100</u></u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD  
New Orleans, Louisiana  
PROPRIETARY FUNDS - INTERNAL SERVICE  
STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED JUNE 30, 2005

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash premiums received	\$ 56,657,055
Cash paid in claims and benefits	(57,623,835)
NET CASH USED IN	
OPERATING ACTIVITIES	(966,780)
 NET DECREASE IN CASH	 (966,780)
 Cash at beginning of year	 <u>1,088,339</u>
 Cash at end of year	 <u>\$ 121,559</u>
 <u>Reconciliation of operating loss to net cash used in operating activities:</u>	
Operating Loss	\$ (115,426)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in:	
Other receivables	1,318,085
Due from other funds	56,197,885
Prepaid insurance	51,132
Accounts payable	(1,589,048)
Wages payable	8,632
Due to other funds	(58,876,708)
Claims payable/self-insured losses payable	1,538,668
NET CASH USED IN	
OPERATING ACTIVITIES	\$ (966,780)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD  
New Orleans, Louisiana  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

	<u>Trust</u> <u>Funds</u>	<u>Agency</u> <u>Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 168,022	\$ 4,979,172
Investments	158,668	-
Other receivables	<u>13,903</u>	<u>28,692</u>
 TOTAL ASSETS	 <u>340,593</u>	 <u>\$ 5,007,864</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 4,701	\$ 299,439
Due to other funds	38,703	-
Due to student groups	-	4,708,425
Deposits payable	<u>39,394</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>82,798</u>	 <u>\$ 5,007,864</u>
<u>NET ASSETS</u>		
Held in trust for various purposes	<u>\$ 257,795</u>	

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD  
New Orleans, Louisiana  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
JUNE 30, 2005

	Trust Funds
<u>ADDITIONS</u>	
Investment earnings:	
Interest	\$ 6,953
<u>DEDUCTIONS</u>	
Administrative expenses	10,377
Changes in net assets	(4,324)
Net assets - beginning	262,619
Net assets - ending	\$ 257,795

The accompanying notes are an integral part of this statement.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**1. GENERAL INFORMATION**

The Orleans Parish School Board (School Board) is a corporate body created under Louisiana Revised Statutes 17:51 and 17:121. A board consisting of seven members (the Board) elected from legally established districts is charged with the management and operation of the school system.

The school system is composed of a central office, 125 schools and support facilities. Student enrollment as of October 2004 was 62,655. The School Board employs approximately 7,900 persons, approximately 5,200 of whom are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, business and central services, bus transportation and food service. The regular school term begins in mid August and runs through early June.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School Board complies with generally accepted accounting principles (GAAP). The School Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The following is a summary of the School Board's significant accounting policies:

**A. Financial Reporting Entity**

GASB Statement No. 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The School Board also has two *component units*, defined by GASB Statement No. 14 as other legally separate organizations for which the elected School Board members are financially accountable. As of the audit date, the two component units have not been audited. There are no other primary governments with which the School Board has a significant relationship. Certain units of local government over which the School Board exercises no authority, such as the City-Parish government and other independently elected officials, are excluded from the accompanying financial statements. These units of government are considered separate from those of the Parish School Board. The School Board is not a component unit of any other entity, but does have component units which require inclusion in the general purpose financial statements as follows:

Education Trust Fund District – Governed by the School Board, it has no assets; therefore, inclusion as a component unit is not considered necessary.

New Orleans Charter Middle School - This school was started in August 1998 using the facilities of the former James Lewis Extension School. Operating with approximately 360 students, this school is chartered through the School Board and is operated by a nonprofit entity, Middle School Advocates, Inc. For reporting purposes, as a nonmajor component unit it has been aggregated with other nonmajor component units. New Orleans Charter Middle School is included in the reporting entity because it is fiscally dependent on the School Board. The component unit also has a June 30 year-end.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**A. Financial Reporting Entity**

Complete financial statements for the New Orleans Charter Middle School can be obtained by writing the Middle School Advocates, Inc., 2319 Valence St., New Orleans, LA 70115 or by telephoning (504) 896-4086.

James M. Singleton Charter Middle School (JMSCMS) - This school was started in April 1999 as an independent public school funded by the State of Louisiana Board of Elementary and Secondary Education and the Orleans Parish School Board. Operating with approximately 350 students, the JMSCMS is sponsored by the Dryades Young Men's Christian Association. The JMSCMS is included in the reporting entity because it is fiscally dependent on the School Board. The component unit also has a June 30 year-end. For reporting purposes, as a nonmajor component unit, it has been aggregated with other nonmajor component units. Complete financial statements for the JMSCMS can be obtained by writing the James M. Singleton Charter Middle School, 2220 Oretha Castle Haley Blvd., New Orleans, LA 70113 or by telephoning (504) 522-8811.

Due to the damage suffered at each school as a result of Hurricane Katrina, the Louisiana Legislative Auditor granted an extension of time for the submission of the audited financial statements of each component unit. As a result, only compiled financial information will be presented for the year ended June 30, 2005.

**B. Basis of Presentation**

The School Board's *Basic Financial Statements* consist of the government-wide statements on all of the non-fiduciary activities and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to the same limitation. The School Board has elected not to follow subsequent private-sector guidance.

**Government-Wide Financial Statements (GWFS)**

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are advances between fiduciary funds and the various functions of the School Board. The government-wide presentation focuses primarily on the sustainability of the School Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

All programs of the School Board are considered *Governmental Activities* which normally are supported by taxes and intergovernmental revenues.

The internal service funds provide services to the governmental funds. Accordingly, the internal service funds activities were rolled up into the governmental activities in the GWFS. Pursuant to GASB Statement No. 34, the internal activities have been eliminated in order to avoid the "grossing-up" effect of a straight inclusion.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues included in the Statement of Activities are derived 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.

**B. Basis of Presentation**

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. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. 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 fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB Statement No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Nonmajor funds (by category) or fund type are summarized into a single column.

The daily accounts and operations of the School Board continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The funds of the School Board are classified into three broad categories: Governmental, Proprietary and Fiduciary.

**Governmental Fund Types:**

**General Fund** - The General Fund is the primary operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is reported as a major fund.

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

The *Improving America's Schools Act/No Child Left Behind Act* (IASA/NCLB) Fund is considered a major fund. The Improving America's Schools Act of 1994 (IASA) amended the Elementary and Secondary Education Act of 1965 (ESEA). The No Child Left Behind Act of 2001 (NCLB), signed on January 8, 2002, reauthorizes the ESEA and supercedes IASA. NCLB includes increased accountability for States, school districts, and schools; greater choice for parents and students, particularly those attending low-performing schools; more flexibility for States and local educational agencies in the use of Federal education dollars; and a stronger emphasis on reading, especially for our youngest children. NCLB reflects a consensus on how to improve the performance of America's elementary and secondary schools while at the same time ensuring that no child is trapped in a failing school.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**B. Basis of Presentation**

NCLB combined the Eisenhower Professional Development and Class Size Reduction programs into a new Improving Teacher Quality State Grants program that focuses on using practices grounded in scientifically based research to prepare, train, and recruit high-quality teachers.

IASA/NCLB funds administered by the School Board include grants for the following programs:

- Title I Grants to Local Educational Agencies
- Migrant Education – Basic State Grant Program
- Comprehensive School Reform
- Improving Teacher Quality State Grants (NCLB Title II)
- English Language Acquisition
- Safe and Drug-Free Schools and Communities
- Innovative Education Programs Strategies
- Education of Homeless Children and Youth
- Smaller Learning Communities
- Foreign Language Assistance
- Advanced Placement Fee Payment Program
- Reading First State Grants
- Educational Technology State Grants
- Title IV, Part B After School Learning Centers

The *Individuals With Disabilities Education Act (IDEA)* Fund is considered a major fund. The Individuals With Disabilities Education Act was enacted in 1975 and is the nation's special education law. IDEA provides billions of dollars in federal funding to assist states in providing educational opportunities for students with various degrees of disability. In exchange for federal funding IDEA requires states to provide a free appropriate public education.

Debt Service Funds - Debt Service Funds, established to meet requirements of bond ordinances and other long-term borrowing are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs and some capitalized leases. A separate Debt Service Fund is maintained for each similar bond issue type (e. g., General Obligation Bonds, EPA Loans) or each refunding, unique issue, or long-term loan currently outstanding. No debt service funds are considered major funds.

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

The *Capital Projects #2 Fund* is considered a major fund. Capital Projects Fund #2 includes projects funded from the \$175 million Bond Issue Referendum, approved by voters on July 15, 1995. These funds are used to upgrade facilities to meet health and safety codes and to correct critical structural problems.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**B. Basis of Presentation**

**Proprietary Fund Type:**

***Internal Service Funds*** - Internal Service Funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Health Insurance Fund, Life, Dental and Optical Insurance Funds, Workers' Compensation Insurance Fund, Other Insurance Fund and Print Shop Fund are reported as Internal Service Funds.

**Fiduciary Fund Types:**

***Agency Funds*** - Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations or other governmental units and/or other funds. The School Board has two Agency Funds. One agency fund is used to account for those monies collected by pupils and school personnel for school and school-related purposes. The other agency fund was maintained to deposit monies withheld from the payroll of nine-month employees who elected to be paid on a twelve-month basis.

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

In accordance with GASB, the Fiduciary Funds information is presented separately within this report and is not included in the Government-Wide Financial Statements or Fund Financial Statements.

**C. Basis of Accounting/Measurement Focus**

**Government-Wide Financial Statements (GWFS)**

The GWFS are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

**Fund Financial Statements (FFS)**

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

The Proprietary Fund and Fiduciary Fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Proprietary Fund type's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**C. Basis of Accounting/Measurement Focus**

The Governmental Fund type is accounted for on the modified accrual basis of accounting. The following paragraphs describe the revenue recognition practices under that basis.

**Revenues**

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The School Board's definition of available means expected to be received within sixty days of the end of the fiscal year for property taxes and generally the next twelve months for other revenues. Revenues not considered available are recorded as deferred revenues.

Non-exchange transactions, in which the School Board receives value without directly giving value in return, include sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Special Assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

**Expenditures**

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

The Proprietary Fund type and Trust Funds are accounted for using the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when incurred.

**D. Budget and Budgetary Accounting**

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

The General Fund and the Special Revenue Funds are the only funds with legally required budgets. The General Fund budget and the Special Revenue Funds' budgets are adopted on an annual basis. These budgets include proposed expenditures and the means of financing them.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)**

**D. Budget and Budgetary Accounting**

Annually, the Superintendent submits to the School Board a proposed annual appropriated budget for the General Fund and Special Revenues Funds. Public hearings are advertised and conducted to obtain taxpayer comments and the proposed budgets are published. The budget is adopted by the School Board and, as required, is submitted no later than September 30 to the State Department of Education for approval. The Superintendent is authorized to move budgeted items within the functional categories, the legal level of control, but may not increase the total amount authorized.

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

The Capital Projects Funds' budgets are adopted on a project basis, since such projects may be started and completed at any time during the year or may extend beyond one fiscal year. Capital Projects Funds are allocated by project using architectural and engineering estimates. All projects remain programmed and funded until completed or until the School Board decides to eliminate the project. Accordingly, budget and actual comparisons are not reported in the basic financial statements for those funds.

Budgets are prepared on the modified accrual basis of accounting. Unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations at year end that have been approved by the Board are generally expended during the next fiscal year's operations, assuming that the underlying liability is ultimately incurred. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the School Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more.

**E. Encumbrances**

*Encumbrances represent commitments related to unperformed contracts for goods or services; they are reported as reservations of fund balance. Outstanding encumbrances are added to the budget in the subsequent year and are reported as expenditures when incurred. There are no encumbrances as of June 30, 2005.*

**F. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include interest-bearing demand deposits and short-term investments as described below, with a maturity date within three (3) months of the date of acquisition.

State statutes authorize the School Board to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The School Board's Cash Management and Investment Policy requires that cash balances of all funds are combined and invested to the extent possible in direct obligations of the U.S. Government or its agencies, certificates of deposit and other short-term obligations. Interest earned on these investments is distributed to the individual funds on the basis of invested balances of the participating funds during the year.

Investments for the School Board are reported at fair value.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. Inventory**

**Government-Wide Level**

Inventory is stated at first-in, first-out (FIFO) cost and consists of expendable supplies held for consumption. The costs of inventory items are recognized as expenses when used.

**Fund Level**

Inventory of the General Fund is stated at FIFO cost and consists of expendable supplies held for consumption. The costs of inventory items are recognized as expenditures when used. The reportable inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Inventory of the Child Nutrition Special Revenue Fund consists of food, lunchroom materials, and supplies purchased by the School Board and commodities granted by the United States Department of Agriculture (USDA) through the Louisiana Department of Agriculture and Forestry. Inventory items purchased are valued at FIFO cost. Costs are recorded as expenditures at the time individual items are consumed (consumption method). Commodities are valued at the market value at the date of donation based on market values provided by the USDA. The amount of commodity inventory is included in deferred revenue until consumed.

**H. Capital Assets**

All capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School Board maintains threshold levels for capitalizing capital assets as follows: movable capital assets with a cost of \$1,000 or more per unit for financial statement reporting (\$300 or more per unit for internal reporting purposes); all land and land improvements with a cost of \$50,000 or more; buildings and building improvements that extend the useful life of a building with a cost of \$50,000 or more.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. Useful lives are as follows: from 3 to 10 years for furniture and equipment, 5 to 8 years for transportation equipment, 5 to 20 years for equipment, 25 years for building improvements, 10 to 20 years for improvements other than building, and 20 to 40 years for buildings.

**I. Reserves and Designations**

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

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**J. Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All interfund transfers are reported as operating transfers.

**K. Compensated Absences**

Under terms of union contracts and School Board policy, each employee is entitled to ten days of sick leave per year. Sick leave may be accumulated without limit; however, employees or their heirs are only reimbursed for accumulated sick leave up to twenty-five days upon death or retirement at the employees' current rate of pay. The accrual computation for earned sick leave is calculated on a 25-day maximum per employee. Sick leave is not payable upon discharge or termination (non-retirement). Upon retirement, accumulated sick leave in excess of reimbursement may be used in the retirement benefit computation as earned service.

Full-time employees who work year-round are granted vacation in varying amounts (maximum of 22 days per year) as established by School Board policy. The School Board's practice is to pay all accumulated unused vacation days.

Sabbatical leave may be granted for medical or professional purposes. Any employee with a teaching certificate is entitled, subject to approval by the School Board, to one (1) semester of sabbatical leave after three (3) years of continuous services, or two (2) semesters of sabbatical leave after six (6) or more years of continuous service. Sabbatical leave is paid at 65% of salary. Sabbatical leave is accrued upon Board approval.

**L. Deferred Revenues**

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

**M. Long-term Obligations**

For government-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34, the amortization of the costs of bonds is amortized prospectively from the date of adoption of GASB Statement No. 34.

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

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

June 30, 2005

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)**

**N. 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; or

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the School Board's policy to use restricted resources first, then unrestricted resources as they are needed.

**O. Estimates**

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

**3. PRIOR PERIOD ADJUSTMENTS**

Due to the different measurement focuses of the GWFS (economic resources focus/accrual basis) and the FFS (current financial resources measurement focus), the adjustments impact the financial statements as follows:

Government – wide net assets (deficit) at June 30, 2004, as previously reported	\$ (63,938,341)
Decrease in accounts receivable	(3,684,373)
Decrease in accumulated depreciation	3,190,643
Decrease in claims payable	5,223,602
	<u>\$ (59,208,469)</u>

The General Fund's financial statements were impacted as follows:

Fund balance at June 30, 2004, as previously reported	\$ 119,980
Decrease in accounts receivable	(3,684,373)
	<u>\$ (3,564,393)</u>

Receivables and revenue were overstated during the fiscal year due to incorrect accrual of property taxes.

Accumulated depreciation was overstated due to an incorrect calculation of the balance.

Claims payable was overstated due to an incorrect calculation of the balance.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**4. DEPOSITS AND INVESTMENTS**

**Deposits**

At June 30, 2005, the carrying amount of the School Board's deposits was \$44,038,803 and the banks' balance was \$52,152,312. Of the banks' balance, \$515,504 was insured by Federal depository insurance or by collateral held by the School Board (GASB Category 1). Of the remaining banks' balance, \$51,636,808 was collateralized with securities held by the pledging financial institution's trust department or agent in the School Board's name (GASB Category 2). There were no uncollateralized balances at June 30, 2005. Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, and obligations of the State of Louisiana and its municipalities and school districts.

**Investments**

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

Category 1 includes investments that are insured or registered or for which the securities are held by the School Board or its agent in the School Board's name, and deposits with maturities greater than three months that are insured or collateralized, in the School Board's name, at a Federal Reserve Bank or at a correspondent financial institution.

Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the School Board's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the School Board's name.

A breakdown of investments as of June 30, 2005, is as follows:

	<u>Category</u>			<u>Market Value</u>	<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury Money Market Fund	\$ 428,644	\$ -	\$ -	\$ 428,644	\$ 428,644
Marketable Securities	-	-	212,145	212,145	158,668
<b>Total Investments</b>	<b>\$ 428,644</b>	<b>\$ -</b>	<b>\$ 212,145</b>	<b>\$ 640,789</b>	<b>\$ 587,312</b>

**ORLEANS PARISH SCHOOL BOARD  
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**Notes to Basic Financial Statements**

**June 30, 2005**

**5. AD VALOREM TAXES AND SALES TAX**

Ad valorem taxes were levied by the School Board on October 25, 2004 for the calendar year 2005, based on the assessed valuation of property as of October 12, 2004. Values are established by the Orleans Parish Assessors' Offices each year based on 10% of the assessed market value of residential property and commercial land and on 15% of the assessed market value of commercial buildings, public utilities and personal property. The taxes become due on January 1 of each year, and become delinquent on February 1. However, before the taxes can be collected, the assessment list (tax roll) must be submitted to the Louisiana Tax Commission for approval. From the day the tax roll is filed in the Board of Tax Commission, it shall act as a lien on each specific piece of real estate thereon assessed, which shall be subject to a legal mortgage after the year for the payment of the tax due on it. Ad valorem taxes are collected by the City of New Orleans and remitted to the School Board on a periodic basis. The taxes are generally collected in December, January, and February of the fiscal year. A list of property on which taxes have not been paid is published in the official journal by the City of New Orleans. If taxes are not paid within the period stipulated in the public notice, the property is sold for taxes due at a tax sale held by the City of New Orleans. The tax sale is usually held prior to the end of the School Board's fiscal year.

The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expires</u>
Constitutional Millage	27.65	27.65	Not applicable
Dedicated Millage			
Purpose A	School Books, Materials, and Supplies	2.13	2.13
Purpose B	Early Childhood, Discipline and Dropout Programs	2.13	2.13
Purpose C	Employee Salary, Benefits and Incentives	10.00	10.00
Purpose D	Air Conditioning, Asbestos Removal and Facilities	3.19	3.19
District General Obligation Bond Taxes	Unlimited (committed not to exceed 8.4)	7.70	2023
Total Millage		<u>52.80</u>	

Under the Louisiana Constitution, ad valorem taxes other than Constitutional and Bond taxes must be renewed by popular vote every ten (10) years.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**5. AD VALOREM TAXES AND SALE TAX, (continued)**

All ad valorem taxes are recorded on the basis explained in Note 2C. For governmental funds, revenues are recognized in the accounting period in which they become measurable and available. Property taxes are considered measurable in the calendar year of the tax levy. Available means due, or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The remaining property taxes receivable are considered available because they are substantially collected within 60 days subsequent to year end.

Since ad valorem taxes receivable are secured by property, there is no allowance for uncollectible taxes.

Sales taxes are assessed and due on the first day of the month subsequent to the month of sale of any retail sales of goods used or consumed within Orleans Parish, including leases and rentals of movable tangible property. The rate of sales tax dedicated to the School Board is one and one-half percent. Revenues arising from the one percent sales tax authorized by the voters of Orleans Parish in 1966 are used exclusively for the payment of salaries of teachers and/or for the general operations of the school district. The proceeds of the one-half percent sales tax, which was authorized in 1980, are used for the payment of salaries of teachers and other educational employees of the School Board, for the expenses of maintaining and operating schools and for providing funds to pay for capital improvements.

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

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**6. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2005 are as follows:

	<u>Land</u>	<u>Buildings And Improvements</u>	<u>Furniture and Equipment</u>	<u>Construction in Process</u>	<u>Total</u>
<b>Assets at Cost</b>					
As previously reported at June 30, 2004	\$ 29,540,926	\$ 474,247,849	\$ 56,521,991	\$ 19,086,204	\$579,396,970
Additions	-	65,775	1,934,766	4,624,819	6,625,360
Deletions	-	-	-	-	-
Balance at June 30, 2005	<u>29,540,926</u>	<u>474,313,624</u>	<u>58,456,757</u>	<u>23,711,023</u>	<u>586,022,330</u>
<b>Accumulated Depreciation</b>					
As previously reported at June 30, 2004	-	301,950,096	39,473,517	-	341,423,613
Adjustments	-	(3,190,643)	-	-	(3,190,643)
Corrected balance at June 30, 2004	-	298,759,453	39,473,517	-	338,232,970
Additions	-	8,434,721	4,127,521	-	12,562,242
Deletions	-	-	-	-	-
Balance at June 30, 2005	<u>-</u>	<u>307,194,174</u>	<u>43,601,038</u>	<u>-</u>	<u>350,795,212</u>
Capital Assets, Net of Accumulated depreciation at June 30, 2005	<u>\$ 29,540,926</u>	<u>\$ 167,119,450</u>	<u>\$ 14,855,719</u>	<u>\$ 23,711,023</u>	<u>\$235,227,118</u>

Depreciation expense for the year ended June 30, 2005 was charged to the following governmental functions:

<b>Instruction:</b>	
Regular education programs	\$ 8,246,596
Special education programs	674,778
Other education programs	120,546
<b>Support:</b>	
Student Services	19,138
Instructional Staff Services	78,207
General Administration	219,339
School Administration	1,203,846
Business and Central Services	116,106
Transportation	875,185
Food Services	1,008,501
	<u>\$ 12,562,242</u>

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**7. DEFINED BENEFIT PENSION PLANS**

*Plan Description* - Substantially all School Board employees participate in either the Teachers' Retirement System of Louisiana or the Louisiana School Employees' Retirement System (the Systems), which are cost-sharing, multiple-employer public employee retirement systems. Each system is administered and controlled at the State level by a separate board of trustees with contribution rates and benefit provisions approved by the Louisiana Legislature. Participation in the Teachers' Retirement System is primarily divided into two plans - the Teachers' Regular Plan and the Teachers' Plan B. Five years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits under each plan.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or viewing their websites:

Teachers' Retirement System of Louisiana	8401 United Plaza Blvd. P.O. Box 94123 Baton Rouge, Louisiana 70804-9123 (225) 925-6446 www.trsl.org
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Louisiana School Employees' Retirement System	8660 United Plaza Blvd. Baton Rouge, LA 70809 (225) 925-6484 www.lasers.state.la.us
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*Funding Policy* - Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2005 for the School Board and covered employees were as follows:

	<u>School Board</u>	<u>Employees</u>
Teachers' Retirement System of Louisiana		
Regular Plan	15.9%	8.0%
Plan B	15.9%	5.0%
Louisiana School Employees' Retirement System	14.8%	7.5%

As provided by Louisiana Revised Statute 11:103, the School Board's contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The contributions made to the systems for the past three fiscal years, which substantially equaled the required contributions for each of these years, were as follows:

	2005	2004	2003
Teachers' Retirement System of Louisiana	\$ 34,934,471	\$ 33,563,112	\$ 31,629,799
Louisiana School Employees' Retirement System	\$ 2,767,856	\$ 2,004,905	\$ 101,001

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**8. POST EMPLOYMENT BENEFITS**

In accordance with state statutes, the School Board provides certain post employment health care and life insurance benefits to its retired employees. Substantially all of the School Board's employees may become eligible for such benefits upon reaching retirement age. For the year ended June 30, 2005, the School Board paid approximately 25% of the health insurance premiums for retired employees and their covered dependents. Retirees contribute 75% of the retiree and dependent coverage. Retirees who are eligible for Parts A and B of Medicare pay a reduced premium for health coverage. The cost of retirement health care is recognized as an expenditure item as premiums are paid. Retirees pay 100% of their life premiums if they elect to continue group coverage. For fiscal year 2005, the School Board's cost for providing all health care and life insurance benefits to the 1,677 retired employees and their dependents amounted to \$2,426,459.

The School Board has a continuing future obligation for life insurance and health care benefits for retired teachers and non-instructional employees and their dependents. This future liability is not funded but will be payable by the General Fund out of future years' operations. This future liability could be significant. Current generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board, do not require the recording of this liability in the basic financial statements.

**9. LONG-TERM OBLIGATIONS**

**Bonds and Notes Payable**

A summary of the fiscal 2005 bonds payable including interest rates, maturity, and June 30, 2005 balance is as follows:

<u>Bonds Payable</u>	<u>Interest in Remaining Years</u>	<u>Final Maturity</u>	<u>as of June 30, 2005</u>
<b>General Obligation Bonds:</b>			
Series 1995 - Issued 10/01/95	5.0 – 5.375%	09/01/18	\$ 27,825,000
Series 1996 - Issued 03/01/96	4.5 – 7.5%	09/01/20	28,440,000
Series 1997 - Issued 03/01/97	4.9 – 7.0%	09/01/21	29,535,000
Series 1997A - Issued 12/01/97	5.0 – 7.0%	09/01/21	29,535,000
Series 1998A - Issued 03/01/98	4.65 – 7.375%	09/01/22	30,645,000
Series 1998B - Issued 03/01/98	4.20 – 5.50%	09/01/20	7,965,000
<b>Refunding Bonds:</b>			
Series 1991 - Issued 12/01/91	7.15%	02/01/15	16,523,731
Series 1995 - Issued 10/01/95	4.75 – 6.0%	06/01/09	12,375,000
Series 1995 A&B - Issued 12/01/95	5.2 – 6.65%	02/01/14	70,555,000
<b>EPA Loans</b>	12.14 – 12.77%	05/31/13	1,496,521
<b>Certificates of Indebtedness:</b>			
Series 1996	6.24%	03/01/06	165,000
Series 1999	4.0 – 6.5%	03/01/09	6,580,000
<b>TOTAL</b>			<b><u>\$ 261,640,252</u></b>

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**9. LONG-TERM OBLIGATIONS, (continued)**

All of the bonds and notes payable of the School Board are reported in the government-wide financial statements and are serviced by the debt service funds with revenues as described below.

**General Obligation Bonds**

General Obligation Bonds are backed by the full faith, credit and taxing power of the School Board. Five (5) series of General Obligation Bonds for \$35 million each have been issued: Series 1995, dated October 1, 1995, Series 1996, dated March 1, 1996, Series 1997, dated March 1, 1997, Series 1997A dated December 1, 1997, and Series 1998A dated March 1, 1998. In 1988 \$8,155,000 of General Obligation School Refunding Bonds, Series 1998B, dated March 9, 1998 were issued and used to advance refund \$7,140,000 of General Obligation Series 1995 bonds dated October 1, 1995 maturing in September 2020. These general obligation bonds are insured and are payable from: (1) the annual levy and collection of an unlimited ad valorem tax on all taxable properties; (2) interest earned on net bond proceeds and debt service assets; and (3) revenues collected by the Educational Trust Fund District, as described below.

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

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

On February 17, 1996, the School Board entered into a Cooperative Endeavor Agreement with the Educational Facilities Trust Fund District making available revenues generated from 1.56 mills, representing the 1995 roll forward of the School Board's Constitutional Millage and Proposition Millage, to be pledged and dedicated to the \$175,000,000 General Obligation Bonds (herein referred to as "Roll Forward"). Because the Trust Fund (1) has no assets, (2) is governed by the Board of the School Board, and (3) all its activities are included in the financial statements of the School Board, the separate presentation of the Trust Fund as a component unit or separate entity is not considered necessary.

**Refunding Bonds**

The refunding bonds are special limited School Board obligations payable from and secured by pledge of and lien on ad valorem taxes, sales taxes and revenue sharing. The bonds do not constitute general indebtedness or pledge of the general credit of the School Board.

\$121,698,366 Public School Refunding Bonds, Series 1991, dated December 1, 1991, partially refunded by the Series 1995 A and B Bonds described below - The purpose of these bonds was to refund the Public School Refunding Bonds, Series 1990. The bonds are insured and are payable from the ½% Dedicated Sales Tax and the Constitutional Millage.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**9. LONG-TERM OBLIGATIONS, (continued)**

**Refunding Bonds**

\$27,920,006 Public School Capital Refunding Bonds, Series 1995, dated October 1, 1995 - The purpose of these bonds was to advance refund \$27,150,000 of Public School Capital Funding Bonds, Series 1989A, dated June 1, 1989, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from the Purpose D Millage tax approved in 1980.

\$98,970,000 (1995A- Taxable) and \$22,815,000 (1995B- Tax Exempt) Public School Refunding Bonds, dated December 1, 1995 - The purpose of these bonds was to redeem \$105,038,118 principal plus interest of \$8,866,381 on the Capital Appreciation Bonds of the Public School Refunding Bonds, Series 1991, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from: (1) 1/2% Dedicated Sales Tax and (2) Constitutional Millage, subject to a prior and superior pledge of the tax in favor of the owners of the School Board's outstanding Refunding bonds, Series 1995. These bonds partially refunded the Capital Appreciation Bonds.

**Defeased Bonds**

In August 1985, the School Board entered into an advance refunding transaction to effect retirement of the School Board's obligations with respect to the 1952 through 1968 bonds outstanding, at June 30, 1985. At June 30, 2004, the remaining bonds outstanding consisted of the 1961 through 1968 bond issues, which are not included in the School Board's statement of net assets, as they are considered defeased through the establishment of a fully funded escrow to pay debt service on such bonds until maturity. At June 30, 2005, the outstanding principal balance of these 1961 through 1968 bonds totaled \$4,380,000. The 1985 bonds were subsequently refunded and called with the proceeds of the Series 1987 bonds.

In December 1987, the School Board entered into a \$127,695,000 (par) advance refunding transaction (Series 1987) for all of its outstanding bonds which consisted of \$40,021,335 Public School Refunding Bonds, Series 1985, and \$75,000,000 Public School Sales and Use Tax Bonds, Series 1985, for a total of \$115,021,335. At June 30, 2005, the outstanding principal balance of these 1985 Bonds, which are not included in the School Board's statement of net assets as they are considered defeased, totaled \$5,230,923.

In October 1990, the School Board entered into a \$104,510,380 advance refunding transaction (Series 1990) for a portion of the School Board's Series 1987 Bonds. These securities were deposited in a trust with an escrow agent to provide for all the future debt services payments. Accordingly, the escrow account and the liability for the bonds are not included in the School Board's statement of net assets. As of June 30, 2005, the outstanding principal balance of the Series 1987 Bonds totaled \$67,550,000.

In March 1998, the School Board entered into a \$8,155,000 refunding transaction (Series 1998B) for a portion of the School Board's Series 1995 General Obligations maturing September 2020. At June 30, 2005, the outstanding principal balance of the 1995 bonds, which are not included in the School Board's balance sheet, as they are considered defeased, totaled \$7,140,000.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**9. LONG-TERM OBLIGATIONS, (continued)**

**EPA Loans**

Approval was obtained from the State Bond Commission to issue promissory notes on an interest-free basis, repayable over a twenty-year period. Proceeds from the notes finance the removal of asbestos from certain school buildings. The notes, issued to the U. S. Environmental Protection Agency (EPA), have no stated interest rate. Generally accepted accounting principles require that interest be imputed on loans with no stated rate. There are five EPA loans. The two notes from 1985 – 1987 have interest imputed at the rate of 8.681%. The three notes from 1990 – 1992 have interest imputed at the rate of 7.641%. Of the \$5,555,600 of authorized notes that were advanced to the School Board, a remaining balance of \$1,496,521 is still outstanding and owed at year-end. Semi-annual principal payments are made on the loans which have terms expiring in 2010, 2011 and 2013.

**Certificates of Indebtedness**

On April 22, 1996, the School Board issued a \$675,000 Certificate of Indebtedness, Series 1996 to finance improvements and an addition to Jean Gordon Elementary School. The School Board dedicated the excess of annual revenues of subsequent years to pay for the cost of the public improvements. The loan is for a period of ten (10) years at a fixed interest rate of 6.24%.

In March 1999, the School Board issued a \$14,000,000 Certificate of Indebtedness, Series 1999. These funds are used to purchase computer hardware and software. These Certificates are secured by and payable from excess of annual revenues of the School Board. The Certificate of Indebtedness Series 1996 is subordinated to the lien of the Certificate of Indebtedness Series 1999. The loan is for a period of ten (10) years with interest rates ranging from 4.0 to 6.625%.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

**Debt Service Requirements**

The annual requirements to amortize all long-term debt outstanding at June 30, 2005, excluding capital leases, accrued compensated absences and claims payable is as follows:

Year ending June 30,	General Obligation bonds		Refunding Bonds		EPA Loans		Certificates of Indebtedness		Total - All Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	4,410,000	7,903,614	13,320,000	4,982,355	392,140	15,444	1,670,000	277,110	19,792,140	13,178,523
2007	4,655,000	7,633,549	14,145,000	4,137,905	241,994	29,728	1,595,000	211,606	20,636,994	12,012,788
2008	6,450,000	7,323,215	15,055,000	3,221,140	224,011	47,711	1,690,000	146,210	23,419,011	10,738,276
2009	6,870,000	8,981,272	17,595,000	2,239,030	207,369	64,354	1,790,000	76,076	26,462,369	9,360,732
2010	7,265,000	8,631,285	8,221,876	10,149,736	182,978	75,489	-	-	15,669,454	16,856,510
2011 - 2015	43,200,000	26,985,914	31,116,855	45,180,544	248,429	143,338	-	-	74,565,284	72,309,796
2016 - 2020	57,375,000	14,032,226	-	-	-	-	-	-	57,375,000	14,032,226
2021 - 2025	23,720,000	1,283,900	-	-	-	-	-	-	23,720,000	1,283,900
<b>TOTAL</b>	<b>\$ 153,945,000</b>	<b>\$ 78,774,975</b>	<b>\$ 99,453,731</b>	<b>\$ 69,910,710</b>	<b>\$ 1,496,521</b>	<b>\$ 376,064</b>	<b>\$ 6,745,000</b>	<b>\$ 711,002</b>	<b>\$ 261,640,252</b>	<b>\$ 149,772,751</b>

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

June 30, 2005

**9. LONG-TERM OBLIGATIONS, (continued)**

Changes in Long-term Obligations

Long-term Obligation	Balance Beginning	Refundings/ Additions	Refundings/ Retirements	Balance Ending	Balance due within one year
<b>General Obligation Bonds</b>					
Series 1995 - Issued 10/01/95	\$27,830,000	\$ -	\$ 5,000	\$27,825,000	\$ 5,000
Series 1996 - Issued 03/01/96	29,535,000	-	1,095,000	28,440,000	1,155,000
Series 1997 - Issued 03/01/97	30,570,000	-	1,035,000	29,535,000	1,095,000
Series 1997A - Issued 12/01/97	30,570,000	-	1,035,000	29,535,000	1,095,000
Series 1998A - Issued 03/01/98	31,615,000	-	970,000	30,645,000	1,025,000
Series 1998B - Issued 03/01/98	8,000,000	-	35,000	7,965,000	35,000
<b>Refunding Bonds</b>					
Series 1991 - Issued 12/1/91	16,523,731	-	-	16,523,731	-
Series 1995 - Issued 10/1/95	14,750,000	-	2,375,000	12,375,000	2,495,000
Series 1995 A&B Issued 12/1/95	80,725,000	-	10,170,000	70,555,000	10,825,000
EPA Loans	1,266,837	229,684	-	1,496,521	392,140
<b>Certificates of indebtedness</b>					
Series 1966	165,000	-	-	165,000	85,000
Series 1999*	8,000,000	-	1,420,000	6,580,000	1,505,000
<b>Capital leases</b>					
Energy retrofit lease 06/26/03	6,057,975	576,025	905,000	5,729,000	920,000
Buses	4,092,253	-	715,342	3,376,911	782,098
Motorola Equipment		1,628,011		1,628,011	167,994
Interest Payable on Refunding Series 1991*	22,183,400	2,817,030	-	25,000,430	-
Accrued Compensated Absences	11,721,611	15,522,078	-	27,243,689	3,293,497
Liability for Claims Payable	47,384,164	12,656,760	6,000,000	54,040,924	-
<b>Total Long-term Obligations</b>	<b>\$370,989,971</b>	<b>\$33,429,588</b>	<b>\$25,760,342</b>	<b>\$378,659,217</b>	<b>\$24,875,729</b>

\*Interest is compounded and due in the future on previous years interest payable which was recorded as principal.

Bond Indentures

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

Statutory Debt Limit

As of June 30, 2005, the statutory debt limit for general obligation bonds was \$748,517,040 and the net legal debt margin was \$569,575,508. There was \$24,996,532 available in the Debt Service Fund to pay debt service requirements on the general obligation bonds outstanding at June 30, 2005.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**10. LEASES**

**Operating Leases**

The School Board has a number of operating leases for land, buildings and equipment used for schools and administrative centers. For these leases, the School Board has, as of June 30, 2005, contractual agreements requiring the following annual rental payments:

Fiscal Year Ending June 30,	<u>Amount</u>
2006	\$ 2,909,089
2007	2,279,176
2008	2,280,570
2009	49,296
2010	50,775

Rental expenditures under operating leases for facilities for the year ended June 30, 2005 amounted to \$3,424,300.

**Capital Leases**

The School Board records items under capital leases as an asset and an obligation in the accompanying financial statements. Energy retrofit improvements for 1996-1997 were expensed or are considered fully depreciated.

Assets acquired through other capital leases are as follows:

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Asset</u>
School Buses	\$ 5,522,865	\$1,660,593	\$ 3,862,272
Communications Equipment	\$ 1,628,011	\$ -	\$ 1,628,011

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**10. LEASES, (continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2005:

Fiscal year:	<u>Motorola Equipment</u>	<u>Energy Retrofit</u>	<u>School Buses</u>	<u>Total</u>
2006	\$ 260,707	\$ 1,058,138	\$ 930,883	\$ 2,249,728
2007	260,707	1,060,488	930,882	2,252,077
2008	260,707	1,059,125	930,882	2,250,714
2009	260,707	1,060,125	930,882	2,251,714
2010	260,707	1,058,300	-	1,319,007
2011 and thereafter	781,325	1,003,600	-	1,784,925
<b>Total</b>	<u>2,084,860</u>	<u>6,299,776</u>	<u>3,723,529</u>	<u>12,108,165</u>
Less amounts representing interest	<u>(456,849)</u>	<u>(570,776)</u>	<u>(346,618)</u>	<u>(1,374,243)</u>
<b>Present value of net minimum lease payments</b>	<u>\$ 1,628,011</u>	<u>\$ 5,729,000</u>	<u>\$ 3,376,911</u>	<u>\$ 10,733,922</u>

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

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

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

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**10. LEASES, (continued)**

On June 26, 2003 the LPFA refunded the Lease Revenue Bonds Series 1996 and issued the \$7,375,000 LPFA Orleans Parish School Board Lease Revenue School Refunding Bonds Series 2003. The lease between LPFA and the School Board was modified. As a result, the previous capital lease has been removed and the new capital lease has been recorded. The new capital lease's recorded value exceeded the previous capital lease (principal portion) by \$35,000. The transaction reduced the remaining lease payments (principal and interest) by \$1,285,221 and resulted in an economic gain of \$346,073.

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

On April 1, 2001, Orleans Parish School Board entered into a capital lease agreement with Motorola Credit Corporation to acquire 800 MHz communications equipment and related software licenses, installation, training and support services. The terms of the capital lease require 10 annual payments of \$130,552 through April 1, 2011 at a 6.49% interest rate. The equipment has a capitalized cost of \$938,956.

On January 1, 2005, Orleans Parish School Board entered into a capital lease agreement with Motorola Credit Corporation to upgrade communication equipment. The terms of the capital lease require 10 annual payments of \$130,155 through January 1, 2015 at a 5.19% interest rate. The equipment has a capitalized cost of \$995,810.

As of June 30, 2005 the combined principal balances remaining on the Motorola capital leases totaled \$1,628,011.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**11. DUE TO/FROM OTHER FUNDS**

Individual balances due to/from other funds at June 30, 2005, are as follows:

	Due To	Due From
General Fund	\$ 16,599,059	\$ -
IASA/NCLB	7,115,153	-
IDEA	6,701,998	-
Other Nonmajor Governmental Funds		
Other Federal	1,230,015	-
State and Local	899,211	-
Child Nutrition	-	622,658
Refunding Bonds Series 1991	-	2,300,058
Refunding Bonds Series 1995 and 1998	-	3,269,881
General Obligation Bonds	-	23,157,612
Energy Retrofit Project	-	576,382
Gordon School Loan	14,559	-
MIS Project Funding	-	12,797
Proprietary Funds		
Health Insurance	1,790,728	-
Life, Dental and Optical Insurance	402,996	-
Workers' Compensation Insurance	-	6,316,963
Other Insurance	1,483,287	-
Print Shop	-	19,358
Fiduciary Funds		
Trust Funds	38,703	-
	\$ 36,275,709	\$ 36,275,709

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**12. CHANGES IN AGENCY FUNDS – DEPOSITS DUE OTHERS**

<u>Agency Fund</u>	Balance at July 1, 2004	Additions	Deletions	Balance at June 30, 2005
Student Activity	\$ 4,708,425	\$ -	\$ -	\$ 4,708,425
Other	25,971	-	25,971	-
	<u>\$ 4,734,396</u>	<u>\$ -</u>	<u>\$ 25,971</u>	<u>\$ 4,708,425</u>

**13. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries are direct payments made by an entity (the paying agent) to a third-party recipient for the employees of another legally separate entity (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments. The state of Louisiana made pension contributions (regarding Professional Improvement Program) directly to the Teachers' Retirement System of Louisiana on behalf of the School Board in the amount of \$168,552. On behalf revenues and related expense is recorded in the General Fund.

**14. LITIGATION AND CONTINGENCIES**

Claims

The School Board is a defendant in several workers' compensation, personal injury, personnel action and contractual lawsuits. Provision for losses for these lawsuits are recorded in the financial statements, principally in long-term debt obligations. Management and legal counsel for the School Board believe that the potential claims against the School Board, not covered by insurance, are covered by the recorded liability.

A significant claim is by former School Board employees under the Federal False Claims Act. Plaintiffs claimed that the School Board submitted improper claims to the federal government for reimbursement of unemployment and workers' compensation insurance costs. After jury trial in federal court, judgment was rendered April 27, 1999 against the School Board for \$22,900,000. The School Board appealed, and on March 28, 2001, the Fifth Circuit Court of Appeals reversed the judgment, holding that the School Board was not a proper defendant under the federal false claims statute. The United States Supreme Court denied plaintiff's writ application on January 7, 2002, and denied plaintiffs' petition for rehearing on February 25, 2002. Subsequently, on March 10, 2003 the U.S. Supreme Court ruled in *Chandler V. Cook County* that the False Claims Act could be used against counties. The plaintiffs then filed a Petition for Relief from Judgment on May 12, 2003 arguing that the *Chandler* case abrogated the holding of this case. The District Court agreed and reinstated the judgment. The Fifth Circuit Court of Appeals reversed the District Court decision. The deadline for seeking rehearing before the Fifth Circuit Court of Appeals has passed. The plaintiffs sought writ review in the U.S. Supreme Court. However, the U.S. Supreme Court on October 23, 2005 denied the plaintiff's writ of certiorari application. Thus, the previous reserve of \$6,000,000 has been deleted from the potential liability pertaining to this matter.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**14. LITIGATION AND CONTINGENCIES, (continued)**

**Federal and State Grants**

In the normal course of operations, the School Board receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The School Board has recorded an intergovernmental payable which represents excess reimbursements for approximately \$336,000.

The School Board's Title I Program has undergone an audit by the U.S. Department of Education. The U.S. Department of Education has requested documentation to support approximately \$71,800,000 of questioned costs. A substantial portion of this documentation has been provided to the U.S. Department of Education. The State of Louisiana's Department of Education has also audited IASA, Special Education, and Vocational Educational Programs and questioned costs of approximately \$14,800,000. The possible outcome of these audits cannot be determined as of the report date and, therefore, the School Board is unable to estimate the liability, if any, that may result from these audits.

**Investigations**

Certain potentially illegal acts committed by employees have been identified by the School Board and referred to appropriate authorities for investigation. An investigation by the Department of Justice regarding the processing of certain large contracts by a former employee resulted in a guilty plea by the former employee. A number of payroll and human resource related problems have also been identified, including payments to a former employee after termination and incorrect withholding and benefit payments. A number of indictments have resulted. The School Board intends to seek full restitution. The Louisiana Legislative Auditor is presently reviewing certain transactions to determine their propriety. Internally, the School Board continues to identify and investigate allegations; however, as of the report date, the School Board is unable to determine the affect, if any, that these investigations may have on the financial statements.

**15. COMMITMENTS**

At June 30, 2005, the School Board had construction commitments of approximately \$1,739,000. These commitments will be paid out of the Capital Projects Funds.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**16. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2005, were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$ 46,591,165	\$ 28,309,259
IASA/NCLB	23,285	21,770,444
IDEA	1,584	33,146
Capital Projects GO Bonds	8,524,189	-
Other Nonmajor Governmental Funds		
Other Federal	361,228	847,703
State and Local	-	2,663,555
Refunding Bonds Series 1995 & 1998	-	18,303,883
Energy Retrofit Project	-	1,061,238
Gordon School Loan	-	190,617
EPA Loan	-	220,694
MIS Project Funding	-	1,749,355
Other Capital	6,355,106	50,000
Hail Damage Proceeds	13,343,337	-
	<u>\$ 75,199,894</u>	<u>\$ 75,199,894</u>

Transfers between funds generally consist of two types: 1) Transfers to the General Fund from the special revenue funds for indirect cost reimbursements; 2) Transfers from the General Fund to other programs to provide supplemental local funds for program operations.

**17. RISK MANAGEMENT**

The School Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation and health insurance for its employees. The School Board has established the following internal service funds to account for and finance these risks of loss:

- a. Health Insurance - This fund is used to account for the employee and employer contributions to, and the payment of premiums for the Health Insurance Program. Effective August 1994, the School Board ended its self-insured program and established a fully insured program. Prior to 1994, the School Board offered a self-insured employee medical and health program financed solely by employees and the School Board.
- b. Life, Dental and Optical Insurance - This fund is used to account for the employee and employer contributions to and the payment of premiums for the Life, Dental and Optical Insurance Programs. These programs are fully insured, subject to retrospective adjustment for premiums.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**17. RISK MANAGEMENT, (continued)**

- c. **Workers' Compensation** - This fund is used to account for claims arising from employment related injuries. Prior to December 1, 1984, this fund was self-insured by the School Board for claims up to \$150,000 per occurrence. Subsequently, and until April, 1990, coverage was on a fully insured basis. In April, 1990, the School Board initiated participation in a self-insurance plan which includes the purchase of excess insurance for claims in excess of \$350,000 per occurrence. The workers' compensation limit for each accident is the statutory amount.
- d. **Other Insurance** - This fund is used to account for the other insurance programs. The significant insurance programs of this fund consist of the following types: fire and wind storm coverage for buildings and contents; comprehensive automotive fleet insurance, automotive general liability; flood insurance; unemployment insurance; professional liability; and fidelity bond coverage.

Self-insured litigated claims are not reported in internal service funds, but beginning April 1, 1999 the revenues and expenses for non-litigated claims are in the General Fund. The estimate for litigated claim liabilities is reported in the GWFS.

A reconciliation of the unpaid claims liability as of June 30 follows:

	<u>Other Insurance</u>	<u>Workers' Compensation Fund</u>	<u>Health Insurance Fund</u>	<u>Litigated Claims</u>	<u>Total</u>
Unpaid claims as Of June 30, 2004	\$ 3,845,952	\$ 6,674,643	\$ 42,894	\$ 47,384,164	\$ 57,947,653
Current year claims incurred and changes in estimates	(3,272,343)	4,529,180	43,762,323	6,656,760	51,675,920
Claims paid	-	(5,036,602)	(43,783,770)	-	(48,820,372)
Unpaid claims as Of June 30, 2005	<u>\$ 573,609</u>	<u>\$ 6,167,221</u>	<u>\$ 21,447</u>	<u>\$ 54,040,924</u>	<u>\$ 60,803,201</u>

The above unpaid claims as of June 30 include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends. For insured risks the amount of settlements has not exceeded insurance average for each of the last three years.

**18. DEFICITS IN FUND EQUITY**

The General Fund had an unreserved/undesignated fund deficit of \$2,041,057 at June 30, 2005.

**19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS – INDIVIDUAL FUNDS**

As reported in the budgetary comparison schedules that are presented as required supplemental information for the year ended June 30, 2005, the General Fund expenditures exceeded the final budget balance by \$15,984,319.

**ORLEANS PARISH SCHOOL BOARD  
NEW ORLEANS, LOUISIANA**

**Notes to Basic Financial Statements**

**June 30, 2005**

**20. SUBSEQUENT EVENTS**

On August 29, 2005 Hurricane Katrina struck the New Orleans area causing widespread damage to properties throughout the region. The District's schools, administrative buildings, warehouses and other structures along with furniture and equipment were severely damaged or destroyed by the hurricane.

As of the report date the loss of property, plant and equipment can not be determined. The School Board contracted with an outside appraisal company to determine the value of the remaining assets and the appraisal process was ongoing as of the report date. During the fiscal year ended June 30, 2006 the School Board will write-off the cost and accumulated depreciation of assets determined to have no value.

The School Board had insurance policies in effect at the time of the hurricane, including property, casualty, flood and other coverages. The School Board's insurers have been given notice of the School Board's claims under the appropriate insurance policies. Although the School Board has received approximately \$38 million of insurance proceeds, the timing and exact amount of remaining insurance recoveries are, at this time, uncertain. The School Board estimates that a significant amount of the hurricane related losses will be covered by its insurance policies, by grants from the Federal Emergency Management Association (FEMA) and potential grants from other federal or state agencies. Although some of the District's schools have been repaired and reopened, assessments and repair of the damages by the School Board's employees, consultants, contractors, and FEMA is ongoing as of the report date.

As of August 29, 2005 the majority of the employees of the School Board were put on Disaster Leave and on March 24, 2006, approximately 8,500 of the District's employees were terminated. The terminated employees received approximately \$4.6 million in accrued vacation benefits and approximately \$2.1 million in accrued sick leave. As of the report date, the School Board has approximately 400 full time or part-time employees.

In November 2005 Louisiana House Bill 121 (Act 35) transferred control of each District school deemed to be in academic crisis, as determined by standardized student testing results, resulting in approximately 83% (106 schools) of the District's former schools being transferred to the Louisiana State Department of Education's Recovery School District (RSD). The RSD will be responsible for providing all educational services to students attending the District transferred schools. Act 35 provided for the transfer of operational and managerial control of the transferred schools for a period of not less than five years. Further, Act 35 provides the RSD with authorization to manage and retain funding under the Minimum Foundation Program corresponding to the students attending the transferred schools. While the School Board retains ownership of each District transferred school, all rights and responsibilities associated with property ownership are also to be transferred to the RSD.

On March 30, 2006 the School Board District received approval of a Special Community Disaster Loan (CDL) of \$25 million from the Federal Emergency Management Agency (FEMA). The term of loan is for five years and may be extended. The variable rate of interest is 1% plus the five year Treasury rate. Principal and interest payments may be deferred until the end of the five year loan period. The loan is collateralized with future revenue while any of the notes are outstanding, after provision has been made for payments required in connection with any outstanding bond indebtedness in existence at the time of this CDL loan.

As of the report date the School Board is operating five schools with approximately 3,000 students. The District also has thirteen charter schools opened and operating that have approximately 6,000 students. The District is working collaboratively with the RSD to ensure that a sufficient number of additional schools become available by August 2006 to meet the expected increase in student enrollment for the next school year.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2005

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Local sources:				
Ad valorem taxes	\$ 101,354,000	\$ 101,354,000	\$ 110,866,811	\$ 9,512,811
Sales and use tax (including vehicle)	91,700,000	91,700,000	90,053,680	(1,646,320)
Earnings on investments	-	-	583,283	583,283
Other	4,806,000	4,806,000	9,411,497	4,605,497
State and federal sources:				
Minimum Foundation Program	218,970,000	218,970,000	217,731,249	(1,238,751)
Other	8,950,000	8,950,000	5,976,975	(2,973,025)
Federal sources	900,000	900,000	878,242	(21,758)
<b>TOTAL REVENUES</b>	<b>426,680,000</b>	<b>426,680,000</b>	<b>435,501,737</b>	<b>8,821,737</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Instruction:				
Regular programs	175,877,030	190,292,162	165,776,902	24,515,260
Special programs	55,015,565	42,279,810	53,973,784	(11,693,974)
Other programs	6,947,326	3,513,523	7,104,077	(3,590,554)
Support:				
Student services	27,614,076	22,196,330	31,991,866	(9,795,536)
Instructional staff support	15,085,072	13,889,167	12,493,798	1,395,369
General administration	2,330,821	8,005,420	11,867,615	(3,862,195)
School administration	18,314,037	16,927,874	22,885,725	(5,957,851)
Business services	4,408,995	6,083,430	9,401,343	(3,317,913)
Student transportation services	18,261,196	17,157,488	17,033,284	124,204
Central services	17,386,567	19,294,608	19,227,657	66,951
Plant services	42,271,215	42,358,217	46,288,702	(3,930,485)
Food services	-	-	130,967	(130,967)
Capital outlay	525,404	525,392	630,225	(104,833)
Other	-	-	39,660	(39,660)
Debt Service:	18,302,795	1,408,778	1,070,912	337,866
<b>TOTAL EXPENDITURES</b>	<b>402,340,099</b>	<b>383,932,199</b>	<b>399,916,517</b>	<b>(15,984,319)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,339,901</b>	<b>42,747,801</b>	<b>35,585,220</b>	<b>(7,152,582)</b>

(continued)

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE - continued**  
**FISCAL YEAR ENDED JUNE 30, 2005**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b><u>OTHER FINANCING SOURCES</u></b>				
Transfers in	-	-	28,309,259	28,309,259
Transfers out	(22,588,168)	(38,496,806)	(62,371,143)	(23,874,337)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(22,588,168)</b>	<b>(38,496,806)</b>	<b>(34,061,885)</b>	<b>4,434,921</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,751,733</b>	<b>4,250,995</b>	<b>1,523,336</b>	<b>(2,727,660)</b>
<b>FUND BALANCE, JUNE 30, 2004</b>	<b>119,980</b>	<b>119,980</b>	<b>119,980</b>	<b>-</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>(3,684,373)</b>	<b>(3,684,373)</b>	<b>(3,684,373)</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2005</b>	<b>\$ (1,812,660)</b>	<b>\$ 686,602</b>	<b>\$ (2,041,057)</b>	<b>\$ (2,727,660)</b> (concluded)

Note: Ad valorem taxes include ad valorem taxes dedicated to general obligation bonds and proposition D millage dedicated to debt service. Transfers out includes the transfer of these taxes to the appropriate debt service fund. For financial reporting purposes these ad valorem taxes are reported as revenues directly in the debt service fund.

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**IASA/NCLB**  
**BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED JUNE 30, 2005**

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b><u>REVENUES</u></b>				
State and federal sources:				
Federal funds	\$ 88,006,514	\$ 93,382,585	\$ 39,006,621	\$ (54,375,964)
<b>TOTAL REVENUES</b>	<b>88,006,514</b>	<b>93,382,585</b>	<b>39,006,621</b>	<b>(54,375,964)</b>
<b><u>EXPENDITURES</u></b>				
Instruction:				
Regular programs	8,193,651	10,990,335	5,610,974	5,379,361
Special programs	-	75,663,815	67	75,663,748
Other programs	72,141,851	242,664	43,319,086	(43,076,422)
Support:				
Student services	280,481	7,832	493,437	(485,605)
Instructional staff support	2,622,140	1,710,300	10,830,238	(9,119,938)
General administration	48,938	114,243	-	114,243
School administration	3,070	-	13,304	(13,304)
Business services	-	-	169,623	(169,623)
Student transportation services	847,104	369,681	106,618	263,063
Plant services	128,862	49,495	154,944	(105,449)
Other	50,000	-	55,489	(55,489)
<b>TOTAL EXPENDITURES</b>	<b>84,316,097</b>	<b>89,148,365</b>	<b>60,753,780</b>	<b>28,394,584</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,690,417</b>	<b>4,234,220</b>	<b>(21,747,159)</b>	<b>(25,981,379)</b>
<b><u>OTHER FINANCING SOURCES</u></b>				
Transfers in	-	-	21,770,444	21,770,444
Transfers out	(3,690,417)	(4,234,220)	(23,285)	4,210,935
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,690,417)</b>	<b>(4,234,220)</b>	<b>21,747,159</b>	<b>25,981,379</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**ORLEANS PARISH SCHOOL BOARD**

New Orleans, Louisiana

**IDEA**

**BUDGETARY COMPARISON SCHEDULE**

June 30, 2005

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
State and federal sources:				
Federal funds	\$ 19,782,507	\$ 21,494,833	\$ 11,219,129	\$ (10,275,704)
<b>TOTAL REVENUES</b>	<b>19,782,507</b>	<b>21,494,833</b>	<b>11,219,129</b>	<b>(10,275,704)</b>
<b><u>EXPENDITURES</u></b>				
Instruction:				
Regular education programs	-	-	6,052	(6,052)
Special education programs	15,056,302	19,488,567	8,576,600	10,911,967
Other education programs	-	-	(62,552)	62,552
Support:				
Student services	71,055	53,734	226,722	(172,988)
Instructional staff services	3,374,662	1,331,906	2,476,252	(1,144,346)
General administration	21,924	9,031	-	9,031
Plant services	13,977	11,048	1,368	9,680
Student transportation services	-	29,948	22,060	7,888
Other	-	-	4,189	(4,189)
<b>TOTAL EXPENDITURES</b>	<b>18,537,920</b>	<b>20,924,234</b>	<b>11,250,691</b>	<b>9,673,543</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>1,244,587</u>	<u>570,599</u>	<u>(31,562)</u>	<u>(602,161)</u>
<b><u>OTHER FINANCING SOURCES AND USES</u></b>				
Transfers in	-	-	33,146	33,146
Transfers out	(1,244,587)	(570,599)	(1,584)	569,015
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,244,587)</b>	<b>(570,599)</b>	<b>31,562</b>	<b>602,161</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	-	-	-	-
FUND BALANCE, JUNE 30, 2004	-	-	-	-
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2005**

	Special Revenue	Debt Service	Capital Project	Total
<b><u>ASSETS</u></b>				
Cash	\$ -	\$ 3,517,535	\$ 379,142	\$ 3,896,677
Investments	-	-	428,644	428,644
Due from other funds	622,658	29,316,730	-	29,939,388
Due from other governments	3,513,651	-	-	3,513,651
Inventory	721,661	-	-	721,661
Other receivables	485,549	-	-	485,549
<b>TOTAL ASSETS</b>	<b>\$ 5,343,519</b>	<b>\$ 32,834,265</b>	<b>\$ 807,786</b>	<b>\$ 38,985,570</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 793,569	\$ -	\$ -	\$ 793,569
Salaries payable	481,087	-	-	481,087
Due to other funds	2,129,226	14,559	-	2,143,785
Due to other governments	221,121	-	-	221,121
Deferred revenues	869,600	-	-	869,600
<b>TOTAL LIABILITIES</b>	<b>\$ 4,494,603</b>	<b>\$ 14,559</b>	<b>\$ -</b>	<b>\$ 4,509,162</b>
Fund balances:				
Reserved for:				
Inventory	\$ 721,661	\$ -	\$ -	\$ 721,661
Debt service	-	32,819,706	-	32,819,706
Capital projects	-	-	807,786	807,786
Unreserved, reported in				
Special revenue	127,255	-	-	127,255
<b>TOTAL FUND BALANCES</b>	<b>\$ 848,916</b>	<b>\$ 32,819,706</b>	<b>\$ 807,786</b>	<b>\$ 34,476,408</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,343,519</b>	<b>\$ 32,834,265</b>	<b>\$ 807,786</b>	<b>\$ 38,985,570</b>

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2005

	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Project</u>	<u>Total</u>
<b><u>REVENUES</u></b>				
Local sources:				
Ad valorem taxes	\$ -	\$ 15,779,978	\$ -	\$ 15,779,978
Investment earnings	2,991	88,027	9,749	100,767
Food services	779,330	-	-	779,330
Other	1,785,260	-	-	1,785,260
State and federal:				
Minimum Foundation Program	880,800	-	-	880,800
Other	3,662,202	-	-	3,662,202
Federal funds	26,466,648	-	-	26,466,648
<b>TOTAL REVENUES</b>	<b>33,577,231</b>	<b>15,868,005</b>	<b>9,749</b>	<b>49,454,985</b>
<b><u>EXPENDITURES</u></b>				
Instruction:				
Regular education programs	6,216,656	-	-	6,216,656
Special education programs	344,955	-	-	344,955
Other education programs	5,866,677	-	-	5,866,677
Support:				
Student services	117,632	-	-	117,632
Instructional staff services	688,370	-	-	688,370
School administration	8,469	-	-	8,469
Student transportation services	488,727	-	-	488,727
Central services	106,957	-	-	106,957
Plant services	4,866	-	-	4,866
Food services	22,582,999	-	-	22,582,999
Capital Outlay	-	-	2,780,449	2,780,449
Other	20,125	-	-	20,125
Debt Service:				
Principal retirement	-	19,045,000	-	19,045,000
Interest and bank charges	-	14,577,403	-	14,577,403
Bond issuance cost	-	148,750	-	148,750
<b>TOTAL EXPENDITURES</b>	<b>36,446,433</b>	<b>33,771,153</b>	<b>2,780,449</b>	<b>72,998,035</b>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>(2,869,202)</b>	<b>(17,903,148)</b>	<b>(2,770,700)</b>	<b>(23,543,050)</b>

(continued)

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - continued**

**JUNE 30, 2005**

	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Project</u>	<u>Total</u>
<b><u>OTHER FINANCING SOURCES AND USES</u></b>				
Transfers in	3,511,258	21,525,787	50,000	25,087,045
Transfers out	(361,228)	-	(19,698,443)	(20,059,671)
Proceeds from refunding bonds	-	-	-	-
Payments to refunding bond escrow	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>3,150,030</b>	<b>21,525,787</b>	<b>(19,648,443)</b>	<b>5,027,374</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>280,828</b>	<b>3,622,639</b>	<b>(22,419,143)</b>	<b>(18,515,676)</b>
<b>FUND BALANCE, JUNE 30, 2004</b>	<b>568,088</b>	<b>29,197,067</b>	<b>23,226,929</b>	<b>52,992,084</b>
<b>FUND BALANCE, JUNE 30, 2005</b>	<b>\$ 848,916</b>	<b>\$ 32,819,706</b>	<b>\$ 807,786</b>	<b>\$ 34,476,408</b>

(concluded)

**ORLEANS PARISH SCHOOL BOARD**  
 New Orleans, Louisiana  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
 June 30, 2005

	Other Federal	State and Local	Child Nutrition	Total
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	622,658	622,658
Due from other governments	1,628,573	1,815,074	-	3,513,651
Inventory	-	-	721,661	721,661
Other receivables	16,110	156,693	312,744	485,549
<b>TOTAL ASSETS</b>	<b>\$ 1,644,683</b>	<b>\$ 2,041,773</b>	<b>\$ 1,657,063</b>	<b>\$ 5,343,519</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 56,086	\$ 312,508	\$ 424,975	793,569
Salaries payable	189,453	48,542	243,092	481,087
Due to other funds	1,230,015	899,211	-	2,129,226
Deferred revenues	-	729,520	140,080	869,600
Due to other governments	169,129	51,992	-	221,121
<b>TOTAL LIABILITIES</b>	<b>1,644,683</b>	<b>2,041,773</b>	<b>808,147</b>	<b>4,494,603</b>
<b>Fund balances:</b>				
Reserved for inventory	-	-	721,661	721,661
Unreserved - undesignated	-	-	127,255	127,255
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>848,916</b>	<b>848,916</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,644,683</b>	<b>\$ 2,041,773</b>	<b>\$ 1,657,063</b>	<b>\$ 5,343,519</b>

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**June 30, 2005**

	Other Federal	State and Local	Child Nutrition	Total
<b>REVENUES</b>				
<b>Local sources:</b>				
Investment earnings	\$ -	\$ -	\$ 2,991	\$ 2,991
Food services	-	-	779,330	779,330
Other	-	1,785,260	-	1,785,260
<b>State and federal:</b>				
Minimum Foundation Program	-	-	880,800	880,800
Other	-	3,662,202	-	3,662,202
Federal funds	5,265,942	-	21,200,706	26,466,648
<b>TOTAL REVENUES</b>	<b>5,265,942</b>	<b>5,447,462</b>	<b>22,863,827</b>	<b>33,577,231</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>Instruction:</b>				
Regular education programs	642,984	5,573,672	-	6,216,656
Special education programs	28,378	316,577	-	344,955
Other education programs	4,158,966	1,707,711	-	5,866,677
<b>Support:</b>				
Student services	90,880	26,752	-	117,632
Instructional staff services	552,883	135,487	-	688,370
School administration	-	8,469	-	8,469
Plant services	2,015	2,851	-	4,866
Student transportation services	273,049	215,678	-	488,727
Central services	-	106,957	-	106,957
Food services	-	-	22,582,999	22,582,999
Other	3,262	16,863	-	20,125
<b>TOTAL EXPENDITURES</b>	<b>5,752,417</b>	<b>8,111,017</b>	<b>22,582,999</b>	<b>36,446,433</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(486,475)</b>	<b>(2,663,555)</b>	<b>280,828</b>	<b>(2,869,202)</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in	847,703	2,663,555	-	3,511,258
Transfers out	(361,228)	-	-	(361,228)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>486,475</b>	<b>2,663,555</b>	<b>-</b>	<b>3,150,030</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>-</b>	<b>280,828</b>	<b>280,828</b>
<b>FUND BALANCE, JUNE 30, 2004</b>	<b>-</b>	<b>-</b>	<b>568,088</b>	<b>568,088</b>
<b>FUND BALANCE, JUNE 30, 2005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 848,916</b>	<b>\$ 848,916</b>

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**NONMAJOR DEBT SERVICE FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2005**

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	General Obligation Bonds
<b><u>ASSETS</u></b>			
Cash	\$ 3,601	\$ 1,690,318	\$ 1,808,920
Due from other funds	2,300,058	3,269,881	23,157,612
TOTAL ASSETS	<u>\$ 2,303,659</u>	<u>\$ 4,960,199</u>	<u>\$ 24,966,532</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for debt service	2,303,659	4,960,199	24,966,532
TOTAL FUND BALANCES	<u>2,303,659</u>	<u>4,960,199</u>	<u>24,966,532</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,303,659</u>	<u>\$ 4,960,199</u>	<u>\$ 24,966,532</u>

Energy Retrofit Project	Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
\$ 137	\$ 14,559	\$ -	\$ -	\$ -	\$ 3,517,535
576,382	-	-	-	12,797	29,316,730
<u>\$ 576,519</u>	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,797</u>	<u>\$ 32,834,265</u>
-	14,559	-	-	-	14,559
-	14,559	-	-	-	14,559
576,519	-	-	-	12,797	32,819,706
576,519	-	-	-	12,797	32,819,706
<u>\$ 576,519</u>	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,797</u>	<u>\$ 32,834,265</u>

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**NONMAJOR DEBT SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**JUNE 30, 2005**

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	General Obligation Bonds
<b>REVENUES</b>			
Local sources:			
Ad Valorem taxes	\$ -	\$ -	\$ 15,779,978
Earnings on investments	91	42,531	45,405
<b>TOTAL REVENUES</b>	<b>91</b>	<b>42,531</b>	<b>15,825,383</b>
<b>EXPENDITURES</b>			
Principal retirement	-	12,545,000	4,175,000
Interest and bank charges	-	5,758,883	8,174,233
Bond issuance cost	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>18,303,883</b>	<b>12,349,233</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>91</b>	<b>(18,261,352)</b>	<b>3,476,150</b>
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers in	-	18,303,883	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>18,303,883</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>91</b>	<b>42,531</b>	<b>3,476,150</b>
<b>FUND BALANCE, JUNE 30, 2004</b>	<b>2,303,568</b>	<b>4,917,668</b>	<b>21,490,382</b>
<b>FUND BALANCE, JUNE 30, 2005</b>	<b>\$ 2,303,659</b>	<b>\$ 4,960,199</b>	<b>\$ 24,966,532</b>

Energy Retrofit Project	Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,779,978
-	-	-	-	-	88,027
-	-	-	-	-	15,868,005
905,000	-	-	1,420,000	-	19,045,000
156,238	-	158,694	329,355	-	14,577,403
148,750	-	-	-	-	148,750
1,209,988	-	158,694	1,749,355	-	33,771,153
(1,209,988)	-	(158,694)	(1,749,355)	-	(17,903,148)
1,061,238	190,617	220,694	1,749,355	-	21,525,787
1,061,238	190,617	220,694	1,749,355	-	21,525,787
(148,750)	190,617	62,000	-	-	3,622,639
725,269	(190,617)	(62,000)	-	12,797	29,197,067
\$ 576,519	\$ -	\$ -	\$ -	\$ 12,797	\$ 32,819,706

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2005**

	Other Capital Project Funds	Capital Project Hail Damage Proceeds	Total
<b><u>ASSETS</u></b>			
Cash	\$ 379,142	\$ -	\$ 379,142
Investments	428,644	-	428,644
TOTAL ASSETS	<u>\$ 807,786</u>	<u>\$ -</u>	<u>\$ 807,786</u>
<b><u>FUND BALANCES</u></b>			
Reserved for capital projects	807,786	-	807,786
Unreserved - undesignated	-	-	-
TOTAL FUND BALANCES	<u>807,786</u>	<u>-</u>	<u>807,786</u>
TOTAL FUND BALANCES	<u>\$ 807,786</u>	<u>\$ -</u>	<u>\$ 807,786</u>

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2005

	<u>Other Capital</u>	<u>Capital Project</u>	
	<u>Funds</u>	<u>Hail Damage</u>	<u>Total</u>
	<u>Proceeds</u>		
<b><u>REVENUES</u></b>			
Local sources:			
Earnings on investments	\$ 9,749	\$ -	\$ 9,749
<b>TOTAL REVENUES</b>	<u>9,749</u>	<u>-</u>	<u>9,749</u>
<b><u>EXPENDITURES</u></b>			
Capital Outlay	504,708	2,275,741	2,780,449
<b>TOTAL EXPENDITURES</b>	<u>504,708</u>	<u>2,275,741</u>	<u>2,780,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(494,959)</u>	<u>(2,275,741)</u>	<u>(2,770,700)</u>
<b><u>OTHER FINANCING SOURCES AND USES</u></b>			
Transfers in	50,000	-	50,000
Transfer out	(6,355,106)	(13,343,337)	(19,698,443)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(6,305,106)</u>	<u>(13,343,337)</u>	<u>(19,648,443)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>(6,800,065)</u>	<u>(15,619,078)</u>	<u>(22,419,143)</u>
FUND BALANCE, JUNE 30, 2004	7,607,851	15,619,078	23,226,929
FUND BALANCE, JUNE 30, 2005	<u>\$ 807,786</u>	<u>\$ -</u>	<u>\$ 807,786</u>

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**PROPRIETARY FUND TYPE**

**COMBINING BALANCE SHEET**

**JUNE 30, 2005**

	<u>Health Insurance</u>	<u>Life, Dental and Optical Insurance</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 363,939
Other receivables	1,812,175	39,157
Due from other funds	-	-
Prepaid insurance	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,812,175</u>	<u>\$ 403,096</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ -	\$ -
Wages payable	-	-
Due to other funds	1,790,728	402,996
Liability claims payable/self insured losses	21,447	-
<b>TOTAL LIABILITIES</b>	<u>1,812,175</u>	<u>402,996</u>
Net Assets - unrestricted	<u>-</u>	<u>100</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,812,175</u>	<u>\$ 403,096</u>

Workers' Compensation Insurance	Other Insurance	Print Shop	Total Internal Service Funds
\$ (242,380)	\$ -	\$ -	\$ 121,559
-	-	-	1,851,332
6,316,963	-	19,358	6,336,321
136,001	1,829,028	-	1,965,029
<u>\$ 6,210,584</u>	<u>\$ 1,829,028</u>	<u>\$ 19,358</u>	<u>\$ 10,274,241</u>
\$ 43,363	\$ (247,702)	\$ 1,647	\$ (202,693)
-	19,834	17,711	37,545
-	1,483,287	-	3,677,012
6,167,221	573,609	-	6,762,277
<u>6,210,584</u>	<u>1,829,028</u>	<u>19,358</u>	<u>10,274,141</u>
-	-	-	100
<u>\$ 6,210,584</u>	<u>\$ 1,829,028</u>	<u>\$ 19,358</u>	<u>\$ 10,274,241</u>

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**PROPRIETARY FUND TYPE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FISCAL YEAR ENDED JUNE 30, 2005**

	Health Insurance	Life, Dental and Optical Insurance
<b><u>OPERATING REVENUES</u></b>		
Employer contributions	\$ 29,426,486	\$ 551,761
Employee contributions	10,656,765	876,407
Other miscellaneous revenue	3,700,519	460,197
<b>TOTAL OPERATING REVENUE</b>	<b>43,783,770</b>	<b>1,888,365</b>
<b><u>OPERATING EXPENSES</u></b>		
Premium payments	43,783,770	\$ 1,767,032
Other expenses	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>43,783,770</b>	<b>1,767,032</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>121,333</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>-</b>	<b>121,333</b>
Transfers out	-	-
Transfers in	-	-
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>121,333</b>
<b>NET ASSETS at JUNE 30, 2004</b>	<b>-</b>	<b>(121,233)</b>
<b>NET ASSETS at JUNE 30, 2005</b>	<b>\$ -</b>	<b>\$ 100</b>

Workers' Compensation Insurance	Other Insurance	Print Shop	Total Internal Service Funds
\$ -	\$ -	\$ -	\$ 29,978,248
-	-	-	11,533,172
4,805,521	8,859,553	1,285,229	19,111,019
<u>4,805,521</u>	<u>8,859,553</u>	<u>1,285,229</u>	<u>60,622,439</u>
5,036,602	6,462,204	-	57,049,609
-	2,403,026	1,285,229	3,688,256
<u>5,036,602</u>	<u>8,865,230</u>	<u>1,285,229</u>	<u>60,737,865</u>
(231,081)	(5,678)	-	(115,426)
<u>(231,081)</u>	<u>(5,678)</u>	<u>-</u>	<u>(115,426)</u>
-	-	-	-
-	-	-	-
(231,081)	(5,678)	-	(115,426)
<u>231,081</u>	<u>5,678</u>	<u>-</u>	<u>115,526</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**PROPRIETARY FUND TYPE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FISCAL YEAR ENDED JUNE 30, 2005**

	Health Insurance	Life, Dental and Optical Insurance
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Cash premiums received	\$ 43,779,583	\$ 1,950,489
Cash paid in claims and benefits	(43,779,583)	(2,816,690)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	-	(866,201)
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Interfund transfers and advances	-	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH	-	(866,201)
CASH AT BEGINNING OF YEAR	-	1,230,140
CASH AT END OF YEAR	\$ -	\$ 363,939
<b>Reconciliation of operating income (loss) to net cash provided used by (used in) operating activities</b>		
Operating income (loss)	\$ -	\$ 121,333
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:		
Changes in:		
Other receivables	1,732,752	8,615
Due from other funds	-	879,654
Prepaid insurance	-	-
Accounts payable	4,187	(1,049,658)
Wages payable	-	-
Due to other funds	(1,715,485)	402,996
Claims payable/self-insured losses payable	(21,454)	(1,229,141)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	\$ -	\$ (866,201)

Workers' Compensation Insurance	Other Insurance	Print Shop	Total Internal Service Funds
\$ 4,972,190	\$ 6,205,090	\$ (250,297)	\$ 56,657,055
(5,072,769)	(6,205,090)	250,297	(57,623,835)
(100,579)	-	-	(966,780)
-	-	-	-
-	-	-	-
(100,579)	-	-	(966,780)
(141,801)	-	-	1,088,339
\$ (242,380)	\$ -	\$ -	\$ 121,559
\$ (231,081)	\$ (5,678)	\$ -	\$ (115,426)
-	-	76,718	1,818,085
716,865	54,062,378	538,988	56,197,885
(42,775)	93,907	-	51,132
(36,166)	(257,113)	(250,298)	(1,589,048)
-	11,310	(2,578)	8,632
-	(57,201,489)	(362,730)	(58,876,708)
(507,422)	3,296,685	-	1,538,668
\$ (100,579)	\$ -	\$ -	\$ (966,780)

**ORLEANS PARISH SCHOOL BOARD**

**New Orleans, Louisiana**

**AGENCY FUNDS**

**COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES**

**June 30, 2005**

	<u>Payroll</u> <u>Withholding</u>	<u>Student</u> <u>Activity</u>	<u>Other</u>	<u>Agency</u> <u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 4,979,172	\$ -	\$ 4,979,172
Other receivables	-	28,692	-	28,692
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,007,864</u>	<u>\$ -</u>	<u>\$ 5,007,864</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ 299,439	\$ -	\$ 299,439
Due to student groups	-	4,708,425	-	4,708,425
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 5,007,864</u>	<u>\$ -</u>	<u>\$ 5,007,864</u>

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FISCAL YEAR ENDED JUNE 30, 2005**

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b><u>PAYROLL WITHHOLDING</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 3,032,423	\$ 3,033,536	\$ 6,065,959	\$ -
Due from other funds	33,604,124	3,032,302	36,636,426	-
TOTAL ASSETS	<u>\$ 36,636,547</u>	<u>\$ 6,065,838</u>	<u>\$ 42,702,385</u>	<u>\$ -</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 7,094,915	\$ -	\$ 7,094,915	\$ -
Due to other funds	29,541,632	9,096,963	38,638,595	-
TOTAL LIABILITIES	<u>\$ 36,636,547</u>	<u>\$ 9,096,963</u>	<u>\$ 45,733,510</u>	<u>\$ -</u>
<b><u>STUDENT ACTIVITY</u></b>				
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,979,172	\$ -	\$ -	\$ 4,979,172
Receivables	28,692	-	-	28,692
TOTAL ASSETS	<u>\$ 5,007,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,007,864</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 299,439	\$ -	\$ -	\$ 299,439
Due to student groups	4,708,425	-	-	4,708,425
TOTAL LIABILITIES	<u>\$ 5,007,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,007,864</u>

(continued)

**ORLEANS PARISH SCHOOL BOARD**

New Orleans, Louisiana

**AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - continued**

**FISCAL YEAR ENDED JUNE 30, 2005**

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 82,075	\$ -	\$ 82,075	\$ -
Due from other funds	20,100	-	20,100	-
<b>TOTAL ASSETS</b>	<b>\$ 102,175</b>	<b>\$ -</b>	<b>\$ 102,175</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Due to other funds	\$ 76,204	\$ -	\$ 76,204	\$ -
Due to student groups	25,971	-	25,971	-
<b>TOTAL LIABILITIES</b>	<b>\$ 102,175</b>	<b>\$ -</b>	<b>\$ 102,175</b>	<b>\$ -</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,093,670	\$ 3,033,536	\$ 6,148,034	\$ 4,979,172
Other receivables	28,692	-	-	28,692
Due from other funds	33,624,224	3,032,302	36,656,526	-
<b>TOTAL ASSETS</b>	<b>\$ 41,746,586</b>	<b>\$ 6,065,838</b>	<b>\$ 42,804,560</b>	<b>\$ 5,007,864</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,394,354	\$ -	\$ 7,094,915	\$ 299,439
Due to other funds	29,617,836	9,096,963	38,714,799	-
Due to student groups	4,734,396	-	25,971	4,708,425
<b>TOTAL LIABILITIES</b>	<b>\$ 41,746,586</b>	<b>\$ 9,096,963</b>	<b>\$ 45,835,685</b>	<b>\$ 5,007,864</b>

(concluded)

**ORLEANS PARISH SCHOOL BOARD**  
**New Orleans, Louisiana**  
**SCHEDULE OF CAPITAL ASSETS (AT COST) - BY SOURCES**  
**June 30, 2005**

Capital assets:		
Land	\$	29,540,926
Buildings and improvements		474,313,624
Furniture and equipment		45,210,679
Vehicles		13,246,078
Construction in progress		23,711,023
		<hr/>
TOTAL CAPITAL ASSETS (AT COST)	\$	586,022,330
		<hr/> <hr/>
Capital assets from:		
From General and Capital Projects Funds	\$	568,106,218
From Special Education Funds		571,174
From IASA/NCLB Funds		3,973,352
From Vocational Education Funds		1,204,103
From Child Nutrition Fund		11,869,379
From Other Funds		298,104
		<hr/>
TOTAL ASSETS (AT COST) BY SOURCE	\$	586,022,330
		<hr/> <hr/>

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**ORLEANS PARISH SCHOOL BOARD**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

**JUNE 30, 2005**

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Summary Schedule of Prior Year Audit Findings and Questioned Costs	Exhibit E



**Postlethwaite & Netterville**

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**EXHIBIT A**

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

Orleans Parish School Board  
New Orleans, Louisiana

We were engaged to audit the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2005, and have issued our report thereon dated June 16, 2006. We did not express an opinion on the financial statements, because of the significance of certain uncertainties, resulting from investigations and audits, and since we were unable to rely on the basic accounting systems, and the activity and balances of interfund accounts were not substantiated by supporting documentation, and we were not able to apply other auditing procedures to satisfy ourselves. We did not audit the component units which were audited by other auditors.

Compliance

As part of obtaining reasonable assurance about whether the Orleans Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* that are described in the accompanying schedule of findings and questioned costs as items 2005-4 and 2005-5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Orleans Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in 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. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2005-1 through 2005-11.

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. We believe that the reportable conditions referred as items 2005-1 through 2005-5.

This report is intended for the information of the Orleans Parish School Board, management, federal and state awarding agencies and the Louisiana Legislative Auditor 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.

*Postlethwaite & McNeill*

Metairie, Louisiana  
June 16, 2006



**Postlethwaite & Netterville**

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**EXHIBIT B**

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

Orleans Parish School Board  
New Orleans, Louisiana

Compliance

We were engaged to audit the compliance of the Orleans Parish 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, 2005. The Orleans Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Orleans Parish School Board's management.

We were unable to conduct an 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 Orleans Parish School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Due to the destruction of records following Hurricane Katrina we were unable to obtain sufficient documentation supporting the compliance of Orleans Parish School Board Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Improving Teacher Quality State Grants (Title II) and Temporary Aid to Needy Families (TANF) regarding allowable costs and reporting, nor were we able to satisfy ourselves as to Orleans Parish School Board's compliance with those requirements by other auditing procedures. In addition, all employees who provided service and support to the major programs were terminated following Hurricane Katrina.

Because of the significance of the matters described above, and since the scope of the work is not sufficient, we are unable to express, and we do not express, an opinion on the Orleans Parish School Board's compliance with the requirements of Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Improving Teacher Quality State Grants (Title II) and Temporary Aid to Needy Families (TANF).

### Internal Control Over Compliance

The management of the Orleans Parish 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. We were unable to consider the Orleans Parish School Board's internal control over compliance with requirements that could have a direct and material effect on major federal programs for the purpose of expressing our opinion on compliance and on internal control over compliance in accordance with OMB Circular A-133 because of the significance of the matters described above

### Schedule of Expenditures of Federal Awards

We were engaged to audit the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2005, and have issued our report thereon dated June 16, 2006. We did not express an opinion on the financial statements because we were unable to rely on the basic accounting systems, and the activity and balances of interfund accounts were not substantiated by supporting documentation, and we were not able to apply other auditing procedures to satisfy ourselves. The component units were not audited for the year ended June 30, 2005. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. We did not audit the accompanying schedule of expenditures of federal awards and we express no opinion on it.

This report is intended for the information and use of the Orleans Parish School Board, management, federal and state awarding agencies and the Louisiana Legislative Auditor 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.

*Poethlithwaite & Metterville*

Metairie, Louisiana  
June 16, 2006



Orleans Parish School Board  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Name	Fund Source	CFDA Number	Pass-Through Grantor No.	Expenditures
<b>CASH FEDERAL AWARDS</b>				
United States Department of Education				
Direct Programs:				
Smaller Learning Communities	8139	84.215L	-	\$ 383,110
After School Learning Centers	8181	84.287B	-	<u>205,681</u>
				<u>588,791</u>
Passed Through Louisiana Department of Education:				
Adult Education - State Grant Program	8120	84.002A	0544-36, 0444-36	185,624
Adult Education - State Grant Program	8122	84.002A	0444-36-C, 0344-36-C	150,680
Adult Education - One Stop Centers	8124	84.002A	0413-36	5,778
				<u>342,082</u>
Improving America's Schools Act (IASA) / No Child Left Behind Act (NCLB):				
Title I Grants to Local Educational Agencies	6101	84.010A	04-T1-36, 03-T1-36	39,641,357
Title I Grants to Local Educational Agencies	6102	84.010A	03-T1-36-C, 02-T1-36-C	1,693,065
Title I Grants to Local Educational Agencies	6104	84.010A	03-T1-36-C, 02-T1-36-C	69,145
Title I Grants to Local Educational Agencies	6105	84.010A	03-T1-36-C, 02-T1-36-C	6,429
Title I Grants to Local Educational Agencies	6106	84.010A	03-TA-36	482,273
Title I Grants to Local Educational Agencies	6108	84.010A	03-TA-36	1,916,143
				<u>43,808,412</u>
Title I Accountability	6107	84.348A	02-TA-36-C	630
Migrant Education - Basic State Grant Program	6201	84.011A	04-M1-36, 03-M1-36	140,481
Migrant Education - Basic State Grant Program	6207	84.011A	03-M1-36-C, 02-M1-36-C	10,266
Comprehensive School Reform - Title I CSR - Cohort 2	8182	84.332A	03-T4-36-C, 02-T4-36-C	355,626
Comprehensive School Reform - FIE - Cohort 2	8183	84.332A	03-T5-36-C, 02-T5-36-C	57,438
	8184			2,553
Comprehensive School Reform - Title I CSR - Cohort 3	8189	84.332A	03-T6-36-C, 02-T6-36-C	383,361
				<u>798,978</u>
Reading First	8195	84.357A	03-RF-36	2,921,886
Reading First	8199	84.357A	03-RF-36	384,300
Title II, Part A, Teacher and Principal Training & Recruiting	6301	84.367A	04-50-36, 03-50-36	6,496,181
Title II, Part A, Teacher and Principal Training & Recruiting	6302	84.367A	03-50-36-C	2,155,450
				<u>8,651,631</u>
Enhancing Education Through Technology	8153	84.318X	0449-36	1,743,360
FIRSTTech	8157	84.318X	0403-36	118,139
	8158			205,062
	8159			369
Enhancing Education Through Technology	8194	84.318X		374
				<u>2,067,304</u>
Title III English Language Acquisition	8134	84.365A	04-60-36	181,611
Title III English Language Acquisition	8135	84.365A	03-60-36-C	107,323
				<u>288,934</u>
Title IV (Safe and Drug-Free Schools - State Grant)	6401	84.186A	04-70-36	586,049
Title IV (Safe and Drug-Free Schools - State Grant)	6402	84.186A	03-70-36-C	273,513
Title IV (Safe and Drug-Free Schools - State Grant)	6403	84.186A	03-70-36-C	1,479
				<u>861,041</u>
Innovative Education Programs Strategies - Title V	6601	84.298A	04-80-36, 03-80-36	(783,978)
Innovative Education Programs Strategies - Title VI	6602	84.298A	03-80-36-C, 02-00-36-C	1,027,748
Innovative Education Programs Strategies - Title VI	6603	84.298A	03-80-36-C, 02-00-36-C	(2,976)
				<u>240,794</u>
Education for Homeless Children and Youth - Title X	6202	84.196A	04-H1-36, 03-H1-36	138,773
Special Education:				
Grant to States (Part B)	7010	84.027A	28-04-B1-36, 28-03-B1-36	4,875,339
Grant to States (Part B)	7011	84.027A	28-03-B1-36-C, 02-B1-36-C	5,802,583
Grant to States - LA Assistive Technology Initiative	7013	84.027A	28-03-B6-36	224,173
				<u>10,902,095</u>

Preschool Grants	7030	84.173A	28-04-P1-36, 28-03-P1-36	301,264
Preschool Grants	7031	84.173A	28-03-P1-36-C, 02-P1-36-C	59,815
Preschool Grants - Set Aside	7027/7028/7029	84.173A	03-P2-36, 02-P2-36	<u>76,208</u>
				<u>437,287</u>
Grants for Infants and Families with Disabilities - Part C	7020/7021	84.181A	03-C5-36, 02-C5-36	809
Program Improvement Grants for Children with Disabilities	3162	84.323A	28-02-SP-36	<u>142,344</u>
				<u>142,344</u>
Vocational Education:				
Basic Grants to States - Carl Perkins Grant	8111	84.048	0402-36	450,786
Basic Grants to States - Carl Perkins Grant	8112	84.048	0302-36-C	<u>3,119</u>
				<u>453,905</u>
Total United States Department of Education				<u>72,591,952</u>
US Department of Health and Human Services Passed Through the Louisiana Department of Education:				
Refugee Children School Impact Grant	8154	93.576	04-X3-36	<u>32,619</u>
				<u>32,619</u>
School Health Programs to Prevent Serious Health Problems	8137	93.938	U87/CCU608971-10	72,718
Temporary Aid to Needy Families (TANF):				
Child Literacy HIPPY	3167	93.558		1,956
After School For All	3168	93.558	03OS-36	671,985
More in the Middle	3169	93.558		10,712
LA 4 Pre-Kindergarten Program	7032	93.558	28-0435	2,519,685
Adult and Family Literacy - Partnership for Provision of Adult Lit	8125	93.558	03LG-36	52
Strategies to Empower People - STEP Program	8128	93.558	2804EP-36	375,676
Starting Points Preschool Program	8133	93.558	0438-36	45,757
Pre-GED/Skills Option Program	8164	93.558	0336-36	<u>37,616</u>
				<u>3,663,439</u>
Total United States Department of Health and Human Services				<u>3,768,776</u>
United States Department of Defense Direct Programs				
Americorps - Hippy	8163			<u>14,070</u>
Total United States Corporation for National & Community Service				<u>14,070</u>
Total Cash Federal Awards				<u>\$ 76,963,589</u>

**ORLEANS PARISH SCHOOL BOARD**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orleans Parish School Board and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, the organization had food commodities totaling \$721,661 in inventory.

**NOTE C - RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS**

The expenditures listed in the accompanying schedule are reported in the following funds in either the governmental funds statement of revenues, expenditures and changes in fund balances (basic statement) or the nonmajor special revenue funds combining statement of revenues, expenditures and changes in fund balance, (supplemental information) of the Orleans Parish School Board's June 30, 2005 financial statements.

General Fund	\$ 878,242
Federal IASA/NCLB Funds	37,810,509
Federal IDEA Funds	11,219,129
Other Federal Funds	5,265,942
Child Nutrition Fund	<u>21,200,706</u>
Financial Statement Total	76,374,528
Unreconciled Difference	<u>589,061</u>
Schedule of Expenditures of Federal Awards Total	<u>\$ 76,963,589</u>

**ORLEANS PARISH SCHOOL BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Disclaimer

- Material weakness (es) identified?   x   yes        no
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes        no

Noncompliance material to financial statements noted?   x   yes        no

*Federal Awards*

Internal control over major programs:

- Material weakness (es) identified?   x   yes        no
- Reportable condition(s) identified that are not considered to be material weaknesses?   x   yes        no

Type of auditors' report issued on compliance for major programs: Disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        yes   x   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Entities
84.027	Special Education Cluster (IDEA)
84.367	Improving Teacher Quality State Grants (Title II)
93.558	Temporary Aid to Needy Families (TANF)

- Testing could not be performed for fiscal year ended June 30, 2005 due to the destruction of documentation and termination of employees following Hurricane Katrina.
- The threshold for distinguishing types A & B programs – not applicable for fiscal year ended June 30, 2005.
- The Orleans Parish School Board qualification of a low risk auditee not applicable for the fiscal year ended June 30, 2005 since a Single Audit could not be performed.

## **B. Findings – Financial Statement Audit**

### **General Overview by Management on the School District's Accounting and Administrative Situation**

As noted in prior years Audit Reports on Compliance and Internal Control, the School District's System of Internal Controls and related processes, procedures and human resources were inadequate. These inadequacies compromised the safeguarding of assets and the ability to maintain accurate financial books and records. This situation also resulted in the outside auditors being unable to express an opinion on School District's annual financial statements.

The School District hired several consulting firms in 2004 and 2005 to rectify the situation; however this work resulted in only limited improvements. The situation was also hampered by the high turnover of finance and accounting personnel. In July 2005, the School District hired the consulting and restructuring firm of Alvarez & Marsal to provide financial advice and an objective review of the District's financial controls, policies and procedures. Specifically, Alvarez & Marsal was hired to assess the District's existing financial condition and to implement effective financial systems, a restructured finance and accounting organization, and to develop policies and procedures that would improve the accuracy and timely compilation and presentation of financial information. Alvarez & Marsal have been actively delivering services these past 12 months, including the changes made necessary by Hurricane Katrina which occurred in late August, 2005. They expect the improvements to be implemented by December, 2006.

The District's School System has changed substantially since Hurricane Katrina and the enactment of Act 35, which was passed by the Louisiana State Legislature in November, 2005. Act 35 transferred operational control of approximately 83% of the District's schools to the Louisiana State Department of Education's Recovery School District (RSD). The student population in the District controlled schools and District's charter schools has decreased from 63,000 students to approximately 9,000 students and the number of schools was reduced from 122 to 18. During late 2005 and early 2006, the School District re-opened 5 schools under its direct control (approximately 3,000 students) and authorized the opening of 13 charter schools that have approximately 6,000 students. Starting with fiscal year 2007, 6 of these 13 charter schools will be transferred to the control of RSD. Alvarez & Marsal has taken this new downsized environment into consideration as they implement a restructured finance and accounting organization.

Management's responses in the below audit findings will not repeat the above general management overview, but it should be taken into consideration when reading management's response to each audit finding.

## **Audit Findings**

### **2005-1 Payroll and Human Resources**

- Criteria:** Adequate internal controls relating to payroll and human resources require that specific procedures be in place to ensure that payroll expenses are properly recorded and that proper documentation relating to payroll expenses and employee records are sufficiently maintained. In addition, there should be controls in place to ensure that payroll checks are only issued to current employees of the School District.
- Condition:** Internal controls relating to the payroll and human resource departments are ineffective and inefficient based on the following:
- Employees within the payroll and human resource departments were not adequately trained on the Oracle System which processes and records payroll information.
- Based on the results of our random sample of payroll transactions, the following exceptions were noted:
- 3 of 40 (7.5%) personnel files could not be located
  - 12 of 40 (30.0%) personnel files lacked employee identification
  - 40 of 40 (100%) time sheets and transmittal forms could not be located (result of damage caused by Hurricane Katrina)
  - 4 of 40 (10.0%) cancelled checks could not be located
  - 1 of 5 (20.0%) support for sabbatical leave could not be located
  - 1 of 5 (20.0%) sabbatical compensation was incorrectly calculated
- Cause:** The School District did not maintain an adequate control environment for the payroll and human resources departments due to a lack of management oversight. Also, adequate written policies and procedures did not exist during the audit period. The automatic payroll posting system was not posting to the appropriate accounts.
- Effect:** The lack of adequate internal controls relating to the payroll and human resources departments significantly increases the risk that material errors and irregularities could exist and not be detected.
- Recommendation:** The School District should develop written internal control procedures within the payroll and human resource departments to include a control environment with management monitoring the process to ensure that payroll and human resource personnel are complying with policies established by the School Board. Those internal control procedures also should include specific procedures to ensure the effective communication and sharing of information between the payroll and human resource departments. An ongoing training program needs to be implemented.

Management's  
Response:

To improve the accuracy, efficiency and procedural control of the NOPS payroll, the School District is replacing the Oracle payroll application and implementing a new payroll application from the Tyler Technologies, Inc., Munis Division. The Payroll staff has received training on the operation of the Munis Payroll application and it will be utilized at the beginning of FY 2007. As part of this new payroll system, new payroll control and processing procedures are being developed, documented and implemented.

### **2005-2 Accounts Payable and Accrued Expenses/ Disbursements**

**Criteria:** Adequate internal controls relating to accounts payable and accrued expenses/disbursements require that specific procedures be in place to ensure that expenses are properly recorded on a timely basis and that there are no misappropriations of the School District assets.

**Condition:** Internal controls relating to the accounts payable and accrued expenses/disbursements function are ineffective and inefficient based on the following:

- Supporting documentation for 6 of 53 (11.3%) transactions requested could not be located during our accounts payable testing.
- 1 of 11 transactions tested was noted to be recorded twice and required a reversing adjustment. The adjustment totaled \$52,743.
- The general ledger has roughly 2,000 individual accounts payable accounts.
- Supporting documentation for 12 of 37 (32.4%) accrued expenses could not be located during our testing.

Our detail test of disbursements indicated the following exceptions:

- 5 of 40 (12.5%) supporting documentation in the form of purchase orders, invoices and cancelled checks could not be located.
- 2 of 40 (5.0%) purchase orders lacked the appropriate approval.
- 3 of 40 (7.5%) examined purchase orders were dated subsequent to the invoice date.
- 1 of 40 (2.5%) cancelled check amounts differed from the approved voucher.
- 26 of 40 (65.0%) sets of supporting documentation for purchases were not marked cancelled.
- 14 of 40 (35.0%) were recorded in the wrong general ledger account.

**Cause:** Orleans Parish School District is not enforcing their policies for purchasing and disbursements functions. There has been insufficient training and supervision of the School District personnel involved in the purchasing and disbursing functions.

**Effect:** The lack of adequate internal control relating to the accounts payable/disbursements function could result in the School District assets being misappropriated and/or the financial statements being materially misstated. The untimely recording of disbursements also prevents the timely, proper billing of reimbursements for grants. Financial information for management purposes is unreliable.

**Recommendation:** The School District should implement adequate internal controls relating to the accounts payable/disbursements function. There needs to be management oversight to ensure that the School District is complying with their policies and procedures and to ensure that the School District assets are not misappropriated.

The accounts payable department needs to be trained in the various accounts payable reports available so that they can effectively manage the disbursements through the system. All supporting subsidiary ledgers should be reconciled monthly to the general ledger. Outstanding purchase orders should be investigated and monitored regularly. Unmatched documents should be investigated and properly resolved. Accounts payable control accounts should be established rather than individual accounts.

**Management's Response:**

To improve the accuracy, efficiency and procedure controls of accounts payable, the School District is replacing the Oracle Accounts Payable application and implementing a new accounts payable application from Tyler Technologies, Inc., Munis Division. The Accounts Payable staff has received training on the operation of the Munis Accounts Payable application and is currently utilizing the system. As a part of the new Tyler Munis accounting system, new accounts payable control and processing procedures are being developed, documented and implemented.

### **2005 - 3 Reconciliations**

**Criteria:** An adequate internal control structure would require the timely reconciliation of all cash and selected general ledger accounts on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain any errors.

**Condition:** For the year ended June 30, 2005, certain cash, inventory, special revenue, due to/from, interfund transfers, payroll withholdings, retainage payable and other routine general ledger reconciliations were not completed on a timely basis. We noted the following:

- The School District did not reconcile several student activity bank accounts during the year.
- A physical inventory of the maintenance inventory was not taken as of year end.
- Documentation to support some of the payroll withholding reconciling items could not be provided by the School District.
- The reconciliation of the source of funds within the special revenue funds was not performed as of June 30, 2005.
- The retainage payable balance was not reconciled as of June 30, 2005.
- Reconciliations could not be provided for the intergovernmental accounts payable and the unclaimed property payable accounts.
- Bank reconciliations included several old outstanding checks which have not been investigated or written off

**Cause:** Due to the absence of written procedures and inadequate management supervision, the School District does not have an adequate control environment to ensure that all cash and general ledger accounts are reconciled on a monthly basis.

**Effect:** The failure to complete cash and general ledger account reconciliations in a timely manner could allow errors and/or irregularities to exist without being identified and corrected. The information in the general ledger was incorrect and, therefore, management and budgetary controls could not be performed effectively.

**Recommendation:** The School District should implement an adequate control environment that includes written procedures and management monitoring to ensure that all bank accounts and other critical balance sheet accounts are reconciled in a timely manner and reviewed by an appropriate supervisor. Written procedures should specifically identify employees to perform the reconciliations and the supervisor that is responsible for the review and approval.

**Management's Response:** District management understands the importance of reconciling all cash and selected general ledger accounts on a monthly basis. All balance sheet accounts are currently reconciled with the exception of the payroll account, where we are awaiting additional information.

#### **2005-4 Interim Financial Reporting and Budget Monitoring**

**Criteria:** For purposes of monitoring the financial condition and operations of the School District, financial statements should be available for management and presented to the Board Members for their review on an interim basis. Additionally, the financial statements and budgets presented should be complete and accurate. Louisiana Revised Statute §39:1310 provides that the chief executive or administrative officer advise the governing authority in writing when total revenues and other sources are failing to meet the budget by 5% or actual expenditures and other uses are exceeding the budgeted expenditures and other uses by 5% or if actual beginning fund balance fails to meet estimated beginning fund balance by 5% or more. Louisiana Revised Statute §39:1309 provides that when the governing authority has received notification pursuant to Louisiana Revised Statute §39:1310 or there has been a change in operations upon which the original budget was developed, the governing authority shall adopt a budget amendment.

**Condition:** The School District did not provide timely interim financial statements to the School Board during the 2005 fiscal year. Additionally, the untimely recording of financial information, including recording of accounts payable and revenues, made any information provided to the School Board unreliable.

**Cause:** There has been turnover and ineffective training of staff. Due to the School District not performing many general ledger reconciliations, the School District was unable to periodically close the accounting records in order to prepare timely interim financial statements.

**Effect:** Without on-going oversight of the financial operations of the School District, School Board members would be unaware of deterioration in the School District's finances or even potential irregularities. In addition this is necessary in order to comply with Louisiana Revised Statute §39:1310.

**Recommendation:** In addition, detailed budget to actual operating statements for the general fund and all other major funds should be presented and reviewed at finance committee meetings at a minimum of once a quarter in order to insure compliance with Louisiana Revised Statute §39:1310.

**Management's Response:** To improve the timeliness of recording and posting accounting information the District hired a new Controller in August 2005. Additionally, the District's management team has been preparing interim bi-weekly cash flow financial reports for Board and the Louisiana Department of Education since November 2005.

### **2005-5 Fixed Assets**

**Criteria:** Louisiana Revised Statute §24:515(B) states that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.

**Condition:** Internal controls relating to fixed assets are ineffective and inefficient based on the following:

- An accurate listing of fixed assets was not maintained during the fiscal year.
- The Fixed Asset Department was not notified by the Purchasing or Budget Departments when a fixed asset was purchased during the year.
- The recording of purchases of capital assets is not consistently coded as a capital outlay.
- Building improvements are not broken out by year of improvement and therefore depreciation calculations may be inaccurate.

**Cause:** The School District Fixed Asset Department is not adequately supervised and is not guided by adequate policies and procedures. Additionally, the Fixed Asset Department does not receive adequate supervision and does not get the necessary support from other departments within the School Board in order to adequately track and report fixed assets.

**Effect:** The lack of adequate internal control relating to the Fixed Asset Department could result in the School District's assets being misappropriated and/or the financial statements could be materially misstated. Also, non-compliance with state and/or federal laws could result in the loss of grant funds.

**Recommendation:** The School District should establish adequate written policies and procedures relating to the Fixed Asset Department that would include proper supervision by a responsible employee, timely tagging of assets, and routine physical inventory counts performed by someone other than the custodian of the fixed assets. The depreciation for buildings and improvements needs to be made by year of acquisition. Also, communication between the Purchasing, Budget, and Fixed Asset Departments, as well as, the custodian of the fixed asset, needs to be improved to ensure that all fixed asset additions and deletions are identified and recorded.

Management's  
Response:

The School District hired American Appraisal Associates to inventory the District's assets. After the inventory is completed the information will be inputted into a new computerized asset management system. To improve the accuracy, efficiency and procedure control of Fixed Assets the School District is replacing the Excel Fixed Assets spread sheets and implementing a new Fixed Assets application from the Tyler Technologies, Inc., Munis Division which will be integrated with Purchase Orders and Accounts Payable.

#### **2005-6 Internal Audit Function**

- Criteria: A good system of internal controls would include a functional Internal Audit Department that could assist the School District in operations and compliance.
- Condition: During the fiscal year 2004 – 2005, the Internal Audit Department was not properly functioning because they were performing accounting work for the Accounting Department. In addition, many of the staff terminated.
- Cause: Lack of qualified personnel in the accounting department resulted in the need to reassign duties of internal audit staff.
- Effect: Without an adequate internal audit function, errors, irregularities, and non-compliance with laws and regulations could exist and not be detected.
- Recommendation: Consider hiring qualified staff to perform internal audit functions.

Management's  
Response:

Alvarez and Marsal, as part of its restructuring of the School District's administrative and accounting organizations, will make a recommendation regarding all accounting and finance positions. Since the School District is has been reduced dramatically the need for all staff positions including the internal audit function is being re-evaluated. Recruiting for more qualified accountants is in process.

#### **2005-7 Budget, Finance and Accounting Department Staffing**

- Criteria: A good system of internal controls and sound business practices would include adequately staffed Budget, Accounting and Finance Departments.
- Condition: There was no leadership over the Budget, Accounting and Finance Departments for most of the fiscal year as there was continued turnover in the position of Chief Financial Officer. Many of the duties were contracted out to consultants. Also, there are various open positions throughout the Departments.
- Cause: The School District did not have an adequate number of competent accountants.
- Effect: Without effective leadership from an experienced Chief Financial Office and an adequately staffed Budget, Accounting and Finance Departments, errors, irregularities, and non-compliance with laws and regulations could exist and not be detected.

**Recommendation:** The School District should staff the Budget, Finance and Accounting Departments with competent accountants.

**Management's Response:** Alvarez and Marsal, as part of its restructuring of the School District's administrative and accounting organizations, will make a recommendation regarding all accounting and finance positions. Since the School District is has been reduced dramatically the need for all staff positions including the internal audit function is being re-evaluated. Recruiting for more qualified accountants is in process.

### **2005-8 General Ledger Chart of Accounts**

**Criteria:** In order for employees and supervisors to perform their job duties effectively and create an environment that promotes sound internal controls, it is essential for the entity to have an adequate chart of accounts for their general ledger system.

**Condition:** The general ledger chart of accounts for the School District's Oracle system has in excess of 60,000 different accounts. The School District's accounting number string is segmented into the following segments:

- Fund
- Budget Unit
- Source of Funds
- Natural Account Number
- Sub Account Number
- Program Number
- Future Number (not used)

Special revenue funds are subdivided into numerous mini funds based on the Source of Funds. We noted that considerable adjustments were necessary because initial coding was to the 0000 source of funds which is not for a specific fund.

The number of accounts payable and interfund accounts is counter productive and consequently are not accurately used.

Due to the complexity and proliferation of accounts, some accounts are not monitored at the detail level, but at an aggregated level. Consequently, numerous errors continue to accumulate and analysis is difficult.

**Cause:** An accounting system with an unmanageable amount of accounts.

**Effect:** The failure to maintain an adequate chart of accounts has led to transactions being improperly recorded and accounts being difficult to reconcile.

**Recommendation:** The School District should provide adequately staffed and trained Accounting, Finance and Budget Departments along with general ledger training.

Management's  
Response:

The chart of accounts used by the School District is based upon the structure prescribed by the Louisiana Department of Education in its Louisiana Accounting and Uniform Governmental Handbook. To improve the accuracy, efficiency and procedure control of General Ledger the School District is replacing the Oracle General Ledger application and implementing a new General Ledger application from the Tyler Technologies, Inc., Munis Division. This implementation, which went live on April 1, 2006, has reduced the General Ledger chart of accounts from over 60,000 accounts to under 3,500 accounts.

**2005-9 Proper Interfund Transactions and Identification of Proper Fund**

**Criteria:** Transactions between funds should be recorded according to the nature of the transaction. Temporary transfers such as when the general fund pays the bills out of a centralized cash account for the benefit of another fund are recorded as an interfund receivable by the disbursing fund and as an interfund payable by the fund recording the expense. A permanent transfer such as when a special revenue fund spends more than its revenues and the General Fund absorbs the expense are considered transfers. Periodically, the interfund receivables and payables are settled up.

**Condition:** The School District has not been properly recording, reconciling and settling-up interfund transactions. The number and magnitude of the individual receivables and payables continues to expand. The interfund receivable and payable accounts have several large balances and the propriety of these balances is not known as of June 30, 2005.

**Cause:** There has been no ongoing reconciliation of interfund receivables and payables, and interfund transfers. There is poor communication between various departments and personnel. The original purpose and legal restrictions on various revenue sources is not being reflected by the accounting entries.

**Effect:** The School District may not be able to effectively monitor compliance with restrictions, regulations and limitations. The available resources of the individual funds are difficult to determine and may not be accurate. Restricted monies may not be properly designated. Cash may not be available to be spent for its dedicated purposes.

**Recommendation:** Interfund accounts should be researched to determine their validity. A means of meeting the various interfund commitments should be determined.

Management's  
Response:

To improve the accuracy, efficiency and procedural control over Interfund accounting, the School District is replacing the Oracle General Ledger application and implementing a new General Ledger application from Tyler Technologies, Inc., Munis Division. This new Munis accounting system integrates General Ledger, Payroll, Purchase Orders and Accounts Payable. This integration, along with new accounting and control procedures and processes, will improve the interfund accounting.

### **2005-10 Student Activity Funds**

- Criteria:** The management of student activity funds should be in accordance with sound business practices, including sound budgeting, purchasing, and accounting practices. As of June 30, 2005 the School District has not reconciled several student activity funds.
- Condition:** The student activity funds are not being operated in compliance with state guidelines.
- Cause:** Orleans Parish School District is not effectively, training, monitoring and enforcing the student activity funds. There is not sufficient on site review of the activities.
- Effect:** The lack of adequate internal control relating to the accounts student activity funds could result in the School District or school group's assets being misappropriated or not spent for its dedicated or restricted purpose.
- Recommendation:** The School District should implement adequate internal controls relating to the student activity funds. On site monitoring should be implemented by the School District employees. All schools should have written policies and procedures available for reference at the school. The cost/ benefits of on-site purchasing should be evaluated.
- Management's Response:** Student activity bank accounts were frozen after Hurricane Katrina. New control procedures are currently being established for these funds.

### **2005-11 Payroll Liabilities/Payroll Expenditures**

- Criteria:** Adequate internal controls relating to payroll liabilities require that specific procedures be in place to ensure that payroll liabilities/expenditures are properly recorded on a timely basis and that there are no misappropriations of the School District assets.
- Condition:** Internal controls relating to payroll liabilities are ineffective and inefficient based on the following:
- Supporting documentation and/or subsequent payments for 7 of 15 (46.67%) payroll liabilities requested could not be located during our payroll liability testing. The unsupported liabilities totaled \$2,628,578.
- Cause:** There has been insufficient training and supervision of the School District personnel involved in the payroll liabilities functions.
- Effect:** The lack of adequate internal control relating to the payroll liabilities function could result in the School District assets being misappropriated and/or the financial statements being materially misstated. Financial information for management purposes is unreliable.

**Recommendation:** The School District should implement adequate internal controls relating to the payroll liabilities function. There needs to be management oversight to ensure that the School District is complying with their policies and procedures and to ensure that the School District assets are not misappropriated.

**Management's  
Response:**

To improve the accuracy, efficiency and procedural control of payroll the School District is replacing the Oracle payroll application and implementing a new payroll application from the Tyler Technologies, Inc., Munis Division. The District's staff has been trained on the proper procedures and payments of the payroll liabilities.

The District has also reduced the number of authorized deductions from over 200 to less than two dozen. This will allow sufficient time to reconcile each payroll liability account.

**C. Findings – Single Audit OMB Circular A-133 Findings and Questioned Costs**

Due to the damage caused by Hurricane Katrina, a Single Audit could not be performed for the fiscal year ended June 30, 2005. Documentation to support grant reimbursements were lost and/or destroyed by the hurricane. In addition, School District staff associated with grant programs have been displaced or terminated.

**ORLEANS PARISH SCHOOL BOARD  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**General Overview by Management on the School District's Accounting and Administrative Situation**

As noted in prior years Audit Reports on Compliance and Internal Control, the School District's System of Internal Controls and related processes, procedures and human resources were inadequate. These inadequacies compromised the safeguarding of assets and the ability to maintain accurate financial books and records. This situation also resulted in the outside auditors being unable to express an opinion on School District's annual financial statements.

The School District hired several consulting firms in 2004 and 2005 to rectify the situation; however this work resulted in only limited improvements. The situation was also hampered by the high turnover of finance and accounting personnel. In July 2005, the School District hired the consulting and restructuring firm of Alvarez & Marsal to provide financial advice and an objective review of the District's financial controls, policies and procedures. Specifically, Alvarez & Marsal was hired to assess the District's existing financial condition and to implement effective financial systems, a restructured finance and accounting organization, and to develop policies and procedures that would improve the accuracy and timely compilation and presentation of financial information. Alvarez & Marsal have been actively delivering services these past 12 months, including the changes made necessary by Hurricane Katrina which occurred in late August, 2005. They expect the improvements to be implemented by December, 2006.

The District's School System has changed substantially since Hurricane Katrina and the enactment of Act 35, which was passed by the Louisiana State Legislature in November, 2005. Act 35 transferred operational control of approximately 83% of the District's schools to the Louisiana State Department of Education's Recovery School District (RSD). The student population in the District controlled schools and District's charter schools has decreased from 63,000 students to approximately 9,000 students and the number of schools was reduced from 122 to 18. During late 2005 and early 2006, the School District re-opened 5 schools under its direct control (approximately 3,000 students) and authorized the opening of 13 charter schools that have approximately 6,000 students. Starting with fiscal year 2007, 6 of these 13 charter schools will be transferred to the control of RSD. Alvarez & Marsal has taken this new downsized environment into consideration as they implement a restructured finance and accounting organization.

Management's responses in the below audit findings will not repeat the above general management overview, but it should be taken into consideration when reading management's response to each audit finding.

**REFERENCE # AND TITLE: 2004-1 Human Resources and Payroll**

**MANAGEMENT'S RESPONSE:**

To improve the accuracy, efficiency and procedural control of the NOPS payroll, the School District is replacing the Oracle payroll application and implementing a new payroll application from the Tyler Technologies, Inc., Munis Division. The Payroll staff has received training on the operation of the Munis Payroll application and it will be utilized at the beginning of the FY 2006. As part of this new payroll system, new payroll control and processing procedures are developed, documented and implemented.

**Person responsible for corrective action:**

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401 Nashville Avenue  
New Orleans, Louisiana 70115

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Email: darryl\_kilbert@nops.k12.la.us

**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-2 Accounts Payable Disbursements**

**MANAGEMENT'S RESPONSE:**

To improve the accuracy, efficiency and procedural control of the accounts payable, the School District is replacing the Oracle Accounts Payable application and implementing a new Accounts Payable application from the Tyler Technologies, Inc., Munis Division. The Accounts Payable staff has received training on the operation of the Munis Accounts Payable application and is currently utilizing the system. As part of the new Tyler Munis accounting system, new accounts payable control and processing procedures are being developed, documented and implemented.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-3 Reconciliations**

**MANAGEMENT'S RESPONSE:**

District management understands the importance of reconciling all cash selected general ledger accounts on a monthly basis. All balance sheet accounts are currently reconciled with the exception of the old Liberty payroll account where we are awaiting additional information. This account reconciliation will be finalized with any necessary adjustments recorded in the FY 2006 books.

**Person responsible for corrective action:**

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New Orleans, Louisiana 70115	

**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-4 Segregation of Duties - Cash and Investments**

**MANAGEMENT'S RESPONSE:**

The School District believes that the responsibilities relating to the custody, recording and reconciliation of cash and investments are properly segregated.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-5 Interim Financial Reporting and Budget Monitoring**

**MANAGEMENT'S RESPONSE:**

To improve the timeliness of recording and posting accounting information the District hired a new Controller in August 2005. Additionally, the District's management team has been preparing interim bi-weekly cash flow financial reports for Board and the Louisiana Department of Education since November 2005.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-6 Accounting Software Training**

**MANAGEMENT'S RESPONSE:**

To improve the accuracy, efficiency and procedural control of its financial systems the School District is replacing the Oracle systems with new applications from the Tyler Technologies, Inc., Munis Division. As part of the implementation of this software employees will receive sufficient training to efficiently and effectively utilize the new software.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-7 Fixed Assets**

**MANAGEMENT'S RESPONSE:**

Hurricane Katrina caused a significant portion of the School district's assets to be destroyed. The School District hired American Appraisal Associates to inventory the District's assets. After the inventory is completed the information will be inputted into a new computerized asset management system. To improve the accuracy, efficiency and procedure control of Fixed Assets the School District is replacing the Excel Fixed Assets spread sheets and implementing a new Fixed Assets application from the Tyler Technologies, Inc., Munis Division which will be integrated with Purchase Orders and Accounts Payable.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-8 Special Revenue / Billing**

**MANAGEMENT'S RESPONSE:**

Upon arrival, Alvarez & Marsal formed a special group to catch up delinquent Special Revenue billing. This work was, however, impacted by Hurricane Katrina. A target date of September 30, 2006, has now been established for billing all FY 2005 and FY 2006 invoices.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-9 Internal Audit Function**

**MANAGEMENT'S RESPONSE:**

Alvarez and Marsal, as part of its restructuring of the School District's administrative and accounting organizations will make a recommendation regarding all accounting and finance positions. Since the School District has been reduced dramatically the need for all staff positions, the need for the internal audit function is being re-evaluated. Recruiting for more qualified accountants is in process.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-10 Budget, Finance and Accounting Department Staffing**

**MANAGEMENT'S RESPONSE:**

Alvarez and Marsal, as part of its restructuring of the School District's administrative and accounting organizations, will make a recommendation regarding all accounting and finance positions. Since the School District has been reduced dramatically the need for all staff positions, the internal audit function is being re-evaluated. Recruiting for more qualified accountants is in process.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-11 Journal Entries**

**MANAGEMENT'S RESPONSE:**

General Ledger posting rights in both Oracle and Munis systems are now severely restricted. Additionally, all journal entries are now being reviewed and approved.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-12 General Ledger Chart of Accounts**

**MANAGEMENT'S RESPONSE:**

The chart of accounts used by the School District is based upon the structure prescribed by the Louisiana Department of Education in its Louisiana Accounting and Uniform Governmental Handbook. To improve the accuracy, efficiency and procedure control of General Ledger the School District is replacing the Oracle General Ledger application and implementing a new General Ledger application from the Tyler Technologies, Inc., Munis Division. This implementation, which went live on April 1, 2006, has reduced the General Ledger chart of accounts from over 60,000 accounts to under 3,500 accounts.

**Person responsible for corrective action:**

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-13 Delinquent Submission of Audited Financial Statements**

**MANAGEMENT'S RESPONSE:**

Currently, plans are being developed to accomplish the closing of the accounting records for June 30, 2006, by September 30, 2006.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-14 Proper Interfund Transactions and Identification of Proper Fund**

**MANAGEMENT'S RESPONSE:**

To improve the accuracy, efficiency and procedural control over Interfund accounting the School District is replacing Oracle General Ledger application and implementing a new General Ledger application from the Tyler Technologies, Inc., Munis Division. This new Munis accounting system integrates General Ledger, Payroll, Purchase Orders and Accounts Payable. This integration, along with new accounting and internal control procedures and processes, will improve the interfund accounting.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-15 Student Activity Funds and On-Site Purchasing**

**MANAGEMENT'S RESPONSE:**

Student activity bank accounts were frozen after Hurricane Katrina. New control procedures are currently being established for these funds.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-16 Disbursement Support Titles I, Part A, Title I Accountability, Title II, Part A, Special Education Cluster, Child Nutrition Cluster and Temporary Aid to Need Families**

**MANAGEMENT'S RESPONSE:**

The District has begun efforts to improve documentation and processing controls that include the following: (a) hiring a Accounts Payable Supervisor; (b) conducting joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote a firm understanding that proper documentation must be submitted for purchases and to foster a solid understanding of the inter-relationships of functions provided by each department in the procurement process; (c) development and distribution of written payment processing procedures to accounts payable staff members; (d) provide accounts payable staff with proper training to ensure accurate, timely and consistent processing of vendor invoices, and (e) increased emphasis on maintaining the integrity of Accounts Payable files, to include file sign in-out procedures when copying information needed for special revenue reimbursement requests and auditing purposes.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-17 Suspension and Disbarment - Titles I, Part A, Title I Accountability, Title II, Part A, Special Education Cluster, and Temporary Aid to Needy Families**

**MANAGEMENT'S RESPONSE:**

The Purchasing Department implemented a procedure to obtain the required certification. This certification is included with all requests for bids that exceed \$100,000, regardless of source of funding.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-18 Employee Classifications - Titles I, Part A, Title I Accountability, Title II, Part A, Special Education Cluster, and Temporary Aid to Needy Families**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina there has been an increased emphasis on the coding of payroll charges. Both the Budget Director and the General Ledger Supervisor have been involved with the reviewing coding for employee labor distribution.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-19 Requests For Reimbursement - Titles I, Part A, Title I Accountability, Title II, Part A, and Special Education Cluster**

**MANAGEMENT'S RESPONSE:**

Upon arrival, Alvarez & Marsal formed a special group to catch up delinquent Special Revenue billing. This group has worked to ensure all requests for reimbursement were properly reviewed and that all appropriate supporting documentation was attached to all invoices prior to submission to the State.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-20 Authorized Expenditures - Special Education Cluster**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They have ensured and will continue to ensure that all expenditures are appropriate before being charged to an individual grant or contract.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-21 Employee Certifications- Child Nutrition Cluster**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They are in the process of developing policies and procedures to ensure that employee certifications will be completed semi-annually (June 30 and December 31) along with a special summer certification. The policies and procedures will also include appropriate provisions for employee(s) who resign in the middle of a certification cycle.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-22 Disbursement Support – Child Nutrition Cluster**

**MANAGEMENT'S RESPONSE:**

The District has begun efforts to improve documentation and processing controls that include the following: (a) hiring a Accounts Payable Supervisor; (b) conducting joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote a firm understanding that proper documentation must be submitted for purchases and to foster a solid understanding of the inter-relationships of functions provided by each department in the procurement process; (c) development and distribution of written payment processing procedures to accounts payable staff members; (d) provide accounts payable staff with proper training to ensure accurate, timely and consistent processing of vendor invoices, and (e) increased emphasis on maintaining the integrity of Accounts Payable files, to include file sign in-out procedures when copying information needed for special revenue reimbursement requests and auditing purposes.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-23 Stipend Documentation – Title I, Part A and Title II, Part A**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They will ensure that all expenditures are appropriate before being charged to an individual grant or contract. A stipend policy has been developed and has been submitted to the State of Louisiana, Department of Education for approval. No stipends are being charged to grants or contacts until approval of the stipend policy is received from the State of Louisiana.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-24 Employee Certifications**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They are in the process of developing policies and procedures to ensure that employee certifications will be completed semi-annually (June 30 and December 31) along with a special summer certification. The policies and procedures will also include appropriate provisions for employee(s) who resign in the middle of a certification cycle.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-25 Employee Certifications--Title II, Part A**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They are in the process of developing policies and procedures to ensure that employee certifications will be completed semi-annually (June 30 and December 31) along with a special summer certification. The policies and procedures will also include appropriate provisions for employee(s) who resign in the middle of a certification cycle.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-26 Employee Certifications – Temporary Aid to Need Families**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They are in the process of developing policies and procedures to ensure that employee certifications will be completed semi-annually (June 30 and December 31) along with a special summer certification. The policies and procedures will also include appropriate provisions for employee(s) who resign in the middle of a certification cycle.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-27 Disbursement Support – Title II, Part A**

**MANAGEMENT'S RESPONSE:**

The District has begun efforts to improve documentation and processing controls that include the following: (a) hiring a Accounts Payable Supervisor; (b) conducting joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote a firm understanding that proper documentation must be submitted for purchases and to foster a solid understanding of the inter-relationships of functions provided by each department in the procurement process; (c) development and distribution of written payment processing procedures to accounts payable staff members; (d) provide accounts payable staff with proper training to ensure accurate, timely and consistent processing of vendor invoices, and (e) increased emphasis on maintaining the integrity of Accounts Payable files, to include file sign in-out procedures when copying information needed for special revenue reimbursement requests and auditing purposes.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-28 Submission of Budget Revisions – Title I, Part A and Title II, Part A**

**MANAGEMENT'S RESPONSE:**

Since Hurricane Katrina, the School District has formed a Special Revenue group to manage all grants and contracts. This group is knowledgeable of federal and state rules and regulations. They are working hard to ensure that all budget revisions are being submitted on a timely basis.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-29 Journal Entry Support - Title I, Part A, Title I and Title II, Part A**

**MANAGEMENT'S RESPONSE:**

Management has taken steps to improve the journal entry process and documentation. The process of numbering, reviewing and filing journal entries was revised to improve internal controls by the following actions (a) implementing a chronological log for journal entry number issuance; (b) limiting the number of authorized persons eligible to post a journal entry; (c) assigning responsibility for review of entries for proper documentation, and (d) instituting controls over removal of journal entries from the files.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-30 Estimated Salaries – Title I, Part A**

**MANAGEMENT'S RESPONSE:**

The Payroll Costing process has been changed and is only posted on an actual basis. In other words, estimates are no longer used.

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**Anticipated completion date:** Ongoing

**REFERENCE # AND TITLE: 2004-31 Maintenance of Effort Calculation – Title I, Part A**

**MANAGEMENT'S RESPONSE:**

Management recognizes the need and importance of maintaining proper care and documentation to support the expenditures and accuracy of the Title I Maintenance of Effort Report. The procedures to prepare this report have been reviewed and proper controls were implemented to ensure accurate information from the Annual Financial Report (AFR) is reported on the Title I Maintenance of Effort Report.

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**Anticipated completion date: Ongoing**

**ORLEANS PARISH SCHOOL BOARD**

**PERFORMANCE AND STATISTICAL DATA**

**FOR THE YEAR ENDED JUNE 30, 2005**



# Postlethwaite & Netterville

A Professional Accounting Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Members of the  
Orleans Parish School Board  
New Orleans, Louisiana:

We were engaged to perform the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Orleans Parish School Board and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance of The Orleans Parish 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) Bulletin. 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 are as follows:

### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

1. Selection of a random sample of 25 transactions and review 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,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided for any transactions.**

### Education Levels of Public School Staff

2. Reconciliation of the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" to the combined total number of full-time classroom teachers supported by School Board payroll records as of October 1st.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

3. Reconciliation of the combined total number of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" to the combined total of principals and assistant principals supported by School Board payroll records as of October 1st.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

4. Receive the Orleans Parish School Board's list of full-time teachers, principals, and assistant principals by classification as of October 1st and trace a random sample of 25 teachers, principals, and assistant principals to the individual's personnel file and determine if the individual's education level was properly classified..

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

#### Number and Type of Public Schools

5. Obtain the Orleans Parish School Board's list of schools by type compare 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.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

#### Experience of Public Principals and Full-time Classroom Teachers

6. Obtain the Orleans Parish School Board's list of full-time teachers, principals, and assistant principals by classification as of October 1 and trace a sample to the individual's personnel file to determine if the individual's experience was properly classified on the schedule.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

#### Public Staff Data

7. Obtain the Orleans Parish School Board's list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent and trace 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 proper.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

8. Recalculate the average salaries and full-time equivalents as reported by the Orleans Parish School Board.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**

#### Class Size Characteristics

9. Obtain the School Board's list of classes by school, school type, and class size and reconcile school type classifications and trace a random sample of 10 classes to the October 1st roll books for those classes and determine if the class was properly classified.

**Supporting documentation was destroyed during Hurricane Katrina and could not be provided.**



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

10. Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported by the Orleans Parish School Board.

Supporting documentation was destroyed during Hurricane Katrina and could not be provided.

The Graduation Exit Exam for the 21st Century

11. Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported by the Orleans Parish School Board.

Supporting documentation was destroyed during Hurricane Katrina and could not be provided.

The Iowa Tests

12. Obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported by the Orleans Parish School Board.

Supporting documentation was destroyed during Hurricane Katrina and could not be provided.

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 Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, 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.

*Poolethwait & Netterville*

June 16, 2006

