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**Northshore Charter School**

*Financial Statements*

**June 30, 2022**

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# Northshore Charter School

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## **Independent Auditor's Report**

To the Board of Directors  
Northshore Charter School  
Bogalusa, Louisiana

### **Opinion**

We have audited the accompanying financial statements of Northshore Charter School (a nonprofit organization), a component unit of the Bogalusa City School Board, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northshore Charter School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northshore Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Charter School's ability to continue as a going concern for twelve months beyond the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northshore Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Board of Directors  
Northshore Charter School  
Bogalusa, Louisiana

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## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to school head, as required by the State of Louisiana, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to school head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2022, on our consideration of Northshore Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northshore Charter School's internal control over financial reporting and compliance.



Covington, Louisiana  
December 31, 2022

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*Financial Statements*

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**Northshore Charter School**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 772,399	\$ 1,369,067
Accounts receivable	2,230,497	164,976
Prepaid expenses	-	16,378
	<u>3,002,896</u>	<u>1,550,421</u>
<b>Fixed Assets</b>		
Property and equipment, net	366,200	391,148
<b>Other Assets</b>		
Security deposits	34,753	32,429
	<u>\$ 3,403,849</u>	<u>\$ 1,973,998</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 750,655	\$ 837,880
Employee benefits payable	131,319	139,818
Accrued payroll expenses	187,513	189,633
Accrued compensated absences	185,532	294,747
	<u>1,255,019</u>	<u>1,462,078</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	<u>2,148,830</u>	<u>511,920</u>
	<u>\$ 3,403,849</u>	<u>\$ 1,973,998</u>

*The accompanying notes are an integral part of the financial statements.*

**Northshore Charter School**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Revenues</b>		
State public school funding	\$ 5,473,532	\$ 5,383,204
Grants	1,492,327	194,413
Meal income	406,179	307,678
Other income	54,133	32,135
	<u>7,426,171</u>	<u>5,917,430</u>
<b>Expenses</b>		
Program expenses		
Regular education	2,300,848	2,509,316
Special education	997,005	827,110
Student support and school administration	2,162,175	1,930,705
Cafeteria	256,454	173,594
Transportation	329,877	341,938
	<u>6,046,359</u>	<u>5,782,663</u>
General administrative expenses	535,337	485,908
	<u>6,581,696</u>	<u>6,268,571</u>
Operating income (loss)	<u>844,475</u>	<u>(351,141)</u>
<b>Non-operating Activities</b>		
Paycheck Protection Program loan forgiveness	-	561,809
ESSER funding	792,435	247,465
Loss on disposal of fixed assets	-	(1,233)
	<u>792,435</u>	<u>808,041</u>
<b>Change in net assets without donor restrictions</b>	1,636,910	456,900
Net assets, beginning of year	511,920	55,020
<b>Net assets, end of year</b>	<u>\$ 2,148,830</u>	<u>\$ 511,920</u>

*The accompanying notes are an integral part of the financial statements.*



**Northshore Charter School**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
**(with summarized comparative information for the year ended June 30, 2021)**

	<b>Program Expenses</b>					<b>Total Program Expenses</b>	<b>Support</b>	<b>2022 Total Expenses</b>	<b>2021 Total Expenses</b>
	<b>Regular Education</b>	<b>Special Education</b>	<b>Student Support and School Administration</b>	<b>Cafeteria</b>	<b>Transportation</b>		<b>General Administrative Expenses</b>		
Salaries and wages	\$ 1,351,763	\$ 653,581	\$ 1,064,133	\$ 7,273	\$ 221,518	\$ 3,298,268	\$ 139,058	\$ 3,437,326	\$ 3,297,381
Employee benefits	493,557	238,610	404,918	12,396	80,939	1,230,420	57,529	1,287,949	1,261,382
Educational supplies	114,642	-	-	-	-	114,642	-	114,642	185,074
Meals purchased	-	-	-	180,681	-	180,681	-	180,681	76,071
Cafeteria supplies	-	-	-	8,104	-	8,104	-	8,104	39,648
School activity fund	-	-	21,446	-	-	21,446	21,446	42,892	-
Rents and leases	189,109	31,444	67,054	19,456	-	307,063	13,462	320,525	327,787
Repairs and maintenance	-	-	17,511	-	-	17,511	2,158	19,669	6,538
Utilities	-	-	55,332	16,057	-	71,389	11,122	82,511	75,227
Depreciation	-	-	37,061	7,380	2,532	46,973	2,035	49,008	58,928
Insurance	7,291	3,523	5,479	38	1,195	17,526	101,009	118,535	98,738
Tax penalties and interest	-	-	-	-	-	-	16,696	16,696	66,394
Professional services	54,856	26,514	395,566	289	8,994	486,219	121,675	607,894	588,500
Office supplies and services	89,630	43,333	93,675	4,780	14,699	246,117	45,934	292,051	182,380
Marketing	-	-	-	-	-	-	3,213	3,213	4,523
	<u>\$ 2,300,848</u>	<u>\$ 997,005</u>	<u>\$ 2,162,175</u>	<u>\$ 256,454</u>	<u>\$ 329,877</u>	<u>\$ 6,046,359</u>	<u>\$ 535,337</u>	<u>\$ 6,581,696</u>	<u>\$ 6,268,571</u>

*The accompanying notes are an integral part of the financial statements.*

**Northshore Charter School**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Operating income (loss)	\$ 844,475	\$ (351,141)
Adjustments to reconcile increase(decrease) in net assets to cash provided by operating activities:		
Depreciation	49,008	58,928
Loss from the disposal of fixed assets	-	1,233
(Increase) decrease in:		
Accounts receivable	(2,065,521)	438,634
Prepaid expenses	16,378	2,045
Security deposits	(2,324)	-
Increase (decrease) in:		
Accounts payable	(87,225)	18,788
Retirement payable	(8,499)	(45,700)
Accrued expenses	(2,120)	(15,478)
Accrued compensated absences	(109,215)	100,096
Net cash provided by (used in) operating activities	<u>(1,365,043)</u>	<u>207,405</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	<u>(24,060)</u>	<u>(6,415)</u>
Net cash used in investing activities	<u>(24,060)</u>	<u>(6,415)</u>
<b>Cash Flows From Financing Activities</b>		
ESSER Funding	<u>792,435</u>	<u>247,465</u>
Net cash provided by financing activities	<u>792,435</u>	<u>247,465</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(596,668)	448,455
Cash and cash equivalents, beginning balance	<u>1,369,067</u>	<u>920,612</u>
<b>Cash and cash equivalents, ending balance</b>	<u>\$ 772,399</u>	<u>\$ 1,369,067</u>

*The accompanying notes are an integral part of the financial statements.*

# Northshore Charter School

## Notes to Financial Statements

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### 1. History and Summary of Significant Accounting Policies

#### *Nature of Operations*

Northshore Charter School, Inc. (the “School”), was created as a non-profit corporation under the laws of the State of Louisiana on June 11, 2012. On July 1, 2013 the School was granted a five year charter by the Louisiana Board of Elementary and Secondary Education to operate a Type 2 charter school. As of July 1, 2017, the School converted to a Type 1 charter school.

Under this charter, Bogalusa City School Board (the “Board”) is responsible for the direct oversight of the School. Due to this oversight and the School’s fiscal reliance on the Board, the School is considered a component unit of the Board. Annually, the Board issues financial statements which includes the activity contained in the accompanying financial statements.

The School has a Board of Directors serving on a voluntary basis which governs the School’s finances, operations, and administration. The School serves eligible students in kindergarten through the eighth grade.

#### *Financial Statement Presentation*

The financial statements of the School are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations* (the “Guide”).

#### *Basis of Accounting*

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

#### *Net Assets*

Under the provisions of the Guide, the classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities. In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net assets without donor restriction: net assets available for general use to support operations. The only limits on the use of net assets without donor restriction are broad limits resulting from the nature of the School, the environment in which it operates, and the purposes specified in its corporate documents.
- Net assets with donor restriction: net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# **Northshore Charter School**

## **Notes to Financial Statements**

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When both net assets without donor restriction and net assets with donor restriction are available for use, it is the School's policy to use net assets with donor restrictions first, then net asset without donor restrictions.

### ***Use of Estimates***

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

### ***Reclassifications***

Certain revenue and expense accounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

### ***Functional Allocation of Expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present certain categories of expenses that are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated on the basis of estimates of time and effort and other natural costs are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the cost to a particular program function or supporting function.

The functional expenses presented for the year ended June 30, 2021 is summarized and is not a complete presentation in conformity with Generally Accepted Accounting Principles.

### ***Cash and Cash Equivalents***

For financial statement purposes, cash includes demand deposits. All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

### ***Receivables***

Receivables consist of federal and state funds passed through Bogalusa City School Board. Management periodically reviews the status of all accounts receivable balances for collectability. As a result of these reviews, management has deemed all receivables at June 30, 2022 and June 30, 2021 to be collectible.

### ***Prepaid Expenses***

Prepaid expenses consist of upfront costs paid upon the commencement of an operating lease for modular buildings. The costs are to be amortized over the life of the lease.

### ***Property and Equipment***

Property and equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life between 5 – 15 years. Betterments of \$5,000 or more that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Expenses for repairs and maintenance are recorded as operating expenses as occurred.

# **Northshore Charter School**

## **Notes to Financial Statements**

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All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenues or expenses.

### ***Revenues***

The School's primary source of funding is through monthly payments from the Minimum Foundation Program ("MFP") funded by the State Public School Fund and BESE based upon per eligible student in attendance at the official pupil count date of October 1 each year. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses occur.

MFP funding, federal grants, and state grants are paid to the School by the Bogalusa City School Board (the "School Board"). The School Board is responsible for monitoring the School's use of the funds and undergoing the necessary oversight by granting agencies for the expended funds.

Contributions and grants received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor/grantor is reported as an increase in net assets without donor restrictions. All other restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

### ***Compensated Absences***

Employees earn 10 days paid leave per year to be used in the event of their own illness, an immediate family member's illness, bereavement, visits to required medical practitioners, or personal business. The School's Board of Directors adopted the policy to pay employees for any unused time after the fiscal year-end. At June 30, 2022 and 2021, the School had accrued compensated absences of \$185,532 and \$294,747, respectively.

### ***Marketing***

Marketing costs are expensed as incurred and reported as general administrative expenses. Marketing expense was \$3,213 and \$4,523 for the years ended June 30, 2022 and 2021, respectively.

### ***Income Taxes***

The School has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, the School is no longer subject to federal or state examinations by tax authorities for years prior to 2019.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

# Northshore Charter School

## Notes to Financial Statements

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### ***New Pronouncements***

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The School is currently assessing the impact of this new standard, including the two optional transition methods. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from contract with Customers (Topic 606)* and *Leases (Topic 842) Effective Dates for Certain Entities* which moved the effective date of this standard back to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

## **2. Liquidity and Availability of Financial Assets**

The School has \$3,002,896 of financial assets available within one year of the statement of financial position date to meet cash needs for general and operating expenditures, consisting of cash of \$772,399 and accounts receivable of \$2,230,497. There are no amounts unavailable for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date.

As part of the School's liquidity management, cash is kept in various checking accounts that can be accessed to meet daily needs of the School.

## **3. Property and Equipment**

Property and equipment consists of the following at June 30:

	2022	2021
Furniture, fixtures, and equipment	\$ 298,600	\$ 377,587
Leasehold improvements	585,604	580,044
	884,204	957,631
Less: accumulated depreciation	(518,004)	(566,483)
	<u>\$ 366,200</u>	<u>\$ 391,148</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$49,008 and \$58,928, respectively.

## **4. Retirement Plans**

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana (the "TRSL") or the Louisiana School Employees' Retirement System (the "LSERS"). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to these plans follows:

# Northshore Charter School

## Notes to Financial Statements

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### ***Teachers' Retirement System of Louisiana***

The Teachers' Retirement System of Louisiana (the "TRSL") is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The TRSL provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute 8.00% of their annual covered payroll to the TRSL. The School is required to contribute at an actuarially determined rate. The rate was 25.2% and 25.8% of annual eligible covered payroll for the years ended June 30, 2022 and 2021, respectively. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to TRSL was \$721,978 for the year ended June 30, 2022 and \$688,223 for the year ended June 30, 2021. The School had a payable due to TRSL totaling \$68,941 for the year ended June 30, 2022 and \$137,680 for the year ended June 30, 2021.

### ***Louisiana School Employees' Retirement System***

The State of Louisiana School Employees' Retirement System (the "LSERS") was established and provided for by Louisiana R.S. 11:1001 as a cost-sharing, multiple employer defined benefit pension plan under section 401(a) of the Internal Revenue Code. The LSERS provides retirement benefits as well as disability and survivor benefits to all eligible school bus operators, school janitors, school custodians, school maintenance employees, and school bus aides. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. The report may be obtained by writing to the Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804.

Participants vest immediately in employee contributions to the plan. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. Plan members are required to contribute 8.00% of their annual covered salary, and employers contributed 28.7% of annual eligible covered payroll for the years ended June 30, 2022 and 2021. Member and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to LSERS were \$50,345 and \$32,996 for the years ended June 30, 2022 and 2021, respectively. The School had a payable due to LSERS totaling \$12,455 for the year ended June 30, 2022.

# Northshore Charter School

## Notes to Financial Statements

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### 5. Shared Services Agreement

In April 2018, the School and Bogalusa City School Board (“BCSB”) entered into a contract for BCSB to provide the following services to the School:

- Anzio Software: annual software license for financial management and accounting software and includes software maintenance and technical support - \$8,500 annually (25% of the total cost to BCSB)
- EdGear JCampus Software: annual software license for student records management and includes annual software maintenance and technical support - \$13,750 annually (25% of the total cost to BCSB)
- Title I Crate Software: annual software license for grant management and includes annual maintenance and technical support - \$1,350 annually
- Special Education, Pupil Appraisal, and Related Services: provision of services and administrative support - \$170,458 annually (25% of the total cost to BCSB)
- Alternative Education Program Services: program administration and two teachers - \$52,685 annually (25% of the total cost to BCSB)

### 6. Commitments

#### *Operating Leases*

On May 22, 2014, as extended in September 2018 and again extended in June 2022, the School entered into an operating lease agreement for modular buildings. The term of the extension is 36 months with equal monthly payments of \$14,112 beginning June 2022 with the final payment due May 2025. On May 12, 2021 the lease was renewed at a rate of \$12,445 per month for the period of August 2021 through June 2022.

In March 2016, as extended June 2022, the School entered into an operating lease agreement for a modular building. The term of the extension is 36 months with equal monthly payments of \$8,277 beginning July 2022 with the final payment due June 2025.

Future minimum payments under these agreements are as follows:

For the Year Ended June 30:	Amount
2023	\$ 268,668
2024	268,668
2025	254,556
	<u>\$ 791,892</u>

#### *Offer Letters*

The School has offer letters with most of its employees. The offer letters for the current year expired June 30, 2022. All offer letters provide for a minimum annual salary and other benefits.

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# **Northshore Charter School**

## **Notes to Financial Statements**

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### **7. Concentrations**

In the normal course of operations, the School maintains cash deposits with financial institutions which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

The School receives the majority of its operating revenue from the State of Louisiana's minimum foundation program ("MFP") which is passed through Bogalusa City School Board. MFP funding is based upon student count and is dependent upon appropriations from the Louisiana Legislature.

### **8. Contingency**

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with Bogalusa City School Board. If the State of Louisiana legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated. An estimate of possible loss or range of loss cannot be made.

### **9. Paycheck Protection Program**

The School obtained a loan in the amount of \$561,809 through the Paycheck Protection Program administered by the U.S. Small Business Administration which is part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). The loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. However, the loan may be forgiven if certain conditions are met. The School's loan totaling \$561,809 was forgiven during the 2021 fiscal year.

### **10. IRS Assessed Penalties and Interest**

During the 2020 fiscal year, the School received several notices from the Internal Revenue Service ("IRS") indicating the School owed the IRS a total of \$666,169 for civil penalties and interest related to the calendar years 2014, 2015, 2016, and 2017. According to the IRS, the civil penalties and interest were levied against the School for late payments of payroll tax deposits due to the United States Treasury; late submissions of IRS Form 941 to the Internal Revenue Service; and failure to submit Form W2s to the Social Security Administration.

For the year ended June 30, 2021, the School made payments totaling \$59,961 toward this balance, and incurred \$66,394 of interest on the outstanding balance. The balance due at June 30, 2021 was \$672,601. The School incurred an additional \$16,696 of interest for the year ended June 30, 2022. The balance due at June 30, 2022 was \$689,297.

# Northshore Charter School

## Notes to Financial Statements

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Management is currently working with tax advisors to dispute the assessment of such penalties and interest and attempt to alleviate the School of such amounts. Due to the uncertainty of whether or not the penalties and interest will be removed or reduced, the School must report a liability as accounts payable on the statement of financial position and the related expense as tax penalties and interest under general administrative expenses on the statement of functional expenses. Financials will be revised in the upcoming fiscal year to reflect any respite from the penalties and interest cited.

### 11. Board Member Compensation

<u>Board Member</u>	<u>Amount</u>
Reginald "Bubba" Bourne	\$ -
Theresa Glenn	-
Lisa Miles	-
Roosevelt Ludd	-
Cindy Bourne	-
Tiye Yayu	-
	<u>\$ -</u>

### 12. Subsequent Events

Management has evaluated subsequent events through December 31, 2022, which is the date the financial statements were available to be issued.

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*Supplementary Information*

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**Northshore Charter School**  
**Schedule of Compensation, Benefits, and Other Payments to School Head**  
**For the Year Ended June 30, 2022**

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**School Head:** Linda McCullough  
**Position:** Principal

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 116,000
Benefits - insurance	12,292
Benefits - retirement	29,232
	<u>\$ 157,524</u>

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***Reports Required by  
Government Auditing Standards***

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Northshore Charter School  
Bogalusa, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northshore Charter School (the “School”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Covington, Louisiana  
December 31, 2022

**Northshore Charter School**  
**Summary of Auditor's Results and Schedule of Findings**  
**For the Year Ended June 30, 2022**

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**A. Summary of Audit Results**

*Financial Statements*

- a. Type of auditor's report issued: Unmodified
- b. Internal control over financial reporting:
- |   |           |  |
|---|-----------|--|
| Material weaknesses identified  | _____ yes | _____ <input checked="" type="checkbox"/> no         |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ yes | _____ <input checked="" type="checkbox"/> none noted |
- c. Noncompliance material to financial statements noted
- |  |           |  |
|--|-----------|--|
|  | _____ yes | _____ <input checked="" type="checkbox"/> no |
|--|-----------|--|

**B. Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

None noted

*A management letter has been issued for the year ended June 30, 2022.*



**Northshore Charter School**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2022**

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**A. Findings Related to the Financial Statements Reported in Accordance with**  
***Government Auditing Standards***

None noted.

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*Performance and Statistical Data*

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**Independent Accountant’s Report  
on Applying Agreed-Upon Procedures**

To the Board of Directors and Management  
Northshore Charter School  
Bogalusa, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Northshore Charter School (the “School”), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the “specified users”) solely to assist users in evaluating management’s assertions about the performance and statistical data accompanying the annual financial statements of the School 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, in compliance with Louisiana Revised Statute 24:514.I. 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 related to the accompanying schedules of performance and statistical data are as follows:

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

1. Select 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
  - Nonpublic Transportation Revenue

***Results***

No exceptions noted. See Schedule 1.

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***Class Size Characteristics (Schedule 2)***

2. Obtain a list of classes by school, school type, and class size as reported on Schedule 2. Trace a sample of 10 classes to the October 1<sup>st</sup> roll books for those classes and observe that the class was properly classified on the schedule.

***Results***

No exceptions noted. See Schedule 2.

***Education Levels of Public School Staff (No Schedule)***

3. Obtain October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtain management’s representation that the data/listing is complete. Select a sample of 25 individuals, trace to each individual’s personnel file, and observe that each individual’s education level and experience was property classified on the PEP data or equivalent listing prepared by management.

***Results***

Our testing indicated that the education level of two teachers were different than the level reported on the PEP data submitted to the Department of Education. See exceptions below.

<b>Teacher</b>	<b>Certification in PEP Data</b>	<b>Certification in File</b>
1	AN	None – expired
2	L4	AN

***Public School Staff Data: Average Salaries (No Schedule)***

4. We will obtain June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management’s representation that the data/listing is complete. We will then select a sample of 25 individuals, trace to each individual’s personnel file, and observe that each individual’s salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

***Results***

No exceptions noted.

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## Results

We noted the following exception as a result of applying the above procedures:

1. ***Education Level of Public School Staff***

The education level of two teachers were different than the level reported on the PEP data submitted to the Department of Education.

## Management's Response and Correction Action

1. The School will implement policies to ensure all teachers experience is confirmed and accurately documented.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General. We were not engaged to, and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the School as required by Louisiana Revised Statute 24:514.I and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Covington, Louisiana  
December 31, 2022

**Northshore Charter School**  
**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue**  
**For the Year Ended June 30, 2022**

Schedule 1

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 1,636,449
Other Instructional Staff Salaries	368,895
Instructional Staff Employee Benefits	742,981
Purchased Professional and Technical Services	81,370
Instructional Materials and Supplies	247,605
Instructional Equipment	-
Total Teacher and Student Interaction Activities	<u>3,077,300</u>

Other Instructional Activities -

Pupil Support Services	415,635
Less: Equipment for Pupil Support Services	-
Net Pupil Support Services	<u>415,635</u>

Instructional Staff Services	396,053
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	<u>396,053</u>

School Administration	1,141,134
Less: Equipment for School Administration	-
Net School Administration	<u>1,141,134</u>

**Total General Fund Instructional Expenditures** \$ 5,030,122

**Total General Fund Equipment Expenditures** \$ -

**Certain Local Revenue Sources**

Local Taxation Revenue	\$ -
Local Earnings on Investment in Real Property	-
State Revenue in Lieu of Taxes	-
Nonpublic Textbook Revenue	-
Nonpublic Transportation Revenue	-

**Northshore Charter School**  
**Class Size Characteristics**  
**As of October 1, 2021**

Schedule 2

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School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	30%	7	65%	15	4%	1	0%	0

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***Statewide Agreed-Upon Procedures***

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

To the Board of Directors  
Northshore Charter School  
Bogalusa, Louisiana

We have performed the procedures enumerated below, solely to assist the users in assessing certain controls and in evaluating management's assertions about Northshore Charter School's (the "School") compliance with certain laws and regulations for the year ended June 30, 2022. The School's management is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations.

The School and the Legislative Auditor, State of Louisiana, have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

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- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g) **Credit Cards** (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
  - h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
  - k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
  - l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

### **Results**

The School's written policies and procedures do not include subcategories for Budgeting, Credit Cards, or Information Technology Disaster Recovery/Business Continuity. In addition, the policy relating to Sexual Harassment did not include the requirements cited in R.S. 42:342-344 for agency responsibilities, annual employee training, and annual reporting.

## **Board or Finance Committee**

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

***Results***

The School's public funds comprised of more than 10% of revenues during the fiscal period. The minutes did not reference or include activity relating to public funds. The Board did not meet at least ten times per fiscal year in accordance with their Bylaws.

**Bank Reconciliations**

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

***Results***

No exceptions noted.

**Collections (excluding electronic funds transfers)**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

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- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
  7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
    - a) Observe that receipts are sequentially pre-numbered.
    - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
    - c) Trace the deposit slip total to the actual deposit per the bank statement.
    - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
    - e) Trace the actual deposit per the bank statement to the general ledger.

**Results**

No exceptions noted.

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
  9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
    - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
    - b) At least two employees are involved in processing and approving payments to vendors.
    - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
-

- 
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***Results***

No exceptions noted.

**Credit Cards/Debit Cards/Fuel Cards/P-Cards**

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

***Results***

No exceptions noted.

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## Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.
  - If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### **Results**

No exceptions noted.

## Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). *N/A*
  - If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented). *N/A*
  - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

### **Results**

No exceptions noted.

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## Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
  - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

### ***Results***

Based upon the five employees selected for testing for the pay period ending November 12, 2021, we noted no exceptions.

## Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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***Results***

No exceptions noted.

**Debt Service**

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

***Results***

Per management's representations, the School has no debt.

**Fraud Notice**

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

***Results***

No exceptions noted.

**Information Technology Disaster Recovery/Business Continuity**

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
  - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.



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- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

***Results***

No exceptions noted.

**Sexual Harassment**

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
  - a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

***Results***

The School did not complete an annual sexual harassment report for the current period.

**Summary of Results**

***Written Policies and Procedures***

The School's written policies and procedures do not include subcategories for Budgeting, Credit Cards, or Information Technology Disaster Recovery/Business Continuity. In addition, the policy relating to Sexual Harassment did not include the requirements cited in R.S. 42:342-344 for agency responsibilities, annual employee training, and annual reporting.

***Board or Finance Committee***

The School's public funds comprised of more than 10% of revenues during the fiscal period. The minutes did not reference or include activity relating to public funds. The Board did not meet at least ten times per fiscal year in accordance with their Bylaws.

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***Sexual Harassment***

The School did not complete an annual sexual harassment report for the current period.

**Management's Response**

***Written Policies and Procedures***

The School will update the policies and procedures manual to include subcategories for Budgeting, Credit Cards, or Information Technology Disaster Recovery/Business Continuity. In addition, the policies and procedures manual will be updated to include the requirements cited in R.S. 42:342-344 for agency responsibilities, annual employee training, and annual reporting for sexual harassment.

***Board or Finance Committee***

The School will document and implement policies and procedures to include addressing the budgeting and expending of public funds. In addition, the School will document and implement policies and procedures to address the allowed reasons for canceling a required board meeting, rescheduling a meeting, and if and when it is necessary to hold a virtual meeting.

***Sexual Harassment***

The School will update the policies and procedures manual to include the requirement for management to draft a sexual harassment report annually.

We were engaged by the School to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the control and compliance areas identified in the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the School and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management of the School and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Covington, Louisiana  
December 31, 2022

## Management Letter

To the Board of Directors  
Northshore Charter School  
Bogalusa, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northshore Charter School (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 31, 2022.

During our audit, we became aware of a matter that is an opportunity for strengthening internal controls. This letter summarizes our comments and suggestion concerning this matter. This letter does not affect our report dated December 31, 2022, on the financial statements of the School.

We have discussed these comments and suggestions with the School's management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. Our comments are summarized as follows:

Our review of the School's minutes of meetings did not detect the Board of Directors voting on and approving the payout of \$185,532 to personnel for their accumulated leave earned through June 30, 2022. The payment was made subsequent to the June 30, 2022 year-end. The Principal and Board President provided a written representation that this policy and payment was approved. Nevertheless, we recommend the Board of Directors to vote on major policy decisions and document the vote and results within the minutes of meetings. Management stated the School reverted back to not making payments for accumulated leave for the 2022-2023 fiscal year.

As part of our audit testing, we performed tests involving the School's internal controls over payroll related items and transactions. Per management, the work-day begins at 7:30am and ends at 3:10pm. Our testing indicated instances of employees checking in after 7:30am and/or checking out before 3:10pm without any adjustment(s) being made to accrued leave balances.

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We recommend the School to adopt and implement procedures that requires the accumulated leave balances to be adjusted for any time missed between the required work hours. Since employees were paid for their unused accrued leave through June 30, 2022, it is imperative the leave balances are adjusted accordingly. If employees work more than the required hours during a pay period, we recommend the overage to be properly documented if the hours are to be applied to a pay period that an employee may be under the required hours.

For the months of July, August, September, and October of 2021, the School submitted the incorrect percentage of employer retirement contributions to the Teacher' Retirement System of Louisiana ("TRSL"). The School's payroll provider updated the School's contribution rate in November 2021. We recommend the School to obtain updated retirement contribution rates before the beginning of each fiscal year and submit to the payroll provider to ensure the proper percentage of payroll is being contributed to TRSL.

*Pinell : Martiney, LLC*

December 31, 2022  
Covington, Louisiana