

MADISON-TALLULAH EDUCATION CENTER
d/b/a TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2017



**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

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Independent Auditor's Report

To the CEO and Members of the Board
Tallulah Charter School
Tallulah, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Tallulah Charter School (the School) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallulah Charter School, as of June 30, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, subsequent to the date of these financial statements, the Organization's charter was not renewed. The Organization's current charter expires June 30, 2018. Management's plans regarding this matter also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Compensation, Benefits, Reimbursements and Other Payments to or on Behalf of the Agency Head and the Schedule of Board of Directors, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data, included as Schedules 1 through 9, is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. 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 financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, on our consideration of Tallulah 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 Tallulah Charter School's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
February 16, 2018

Financial Statements

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS	
Current assets:	
Cash in Bank	\$ 2,800,042
Intergovernmental Accounts Receivable	334,577
Total Current Assets	<u>3,134,619</u>
Property, Plant, and Equipment, net	<u>2,364,868</u>
TOTAL ASSETS	<u>5,499,487</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	353,113
Loans Payable	3,848
Accrued Salaries and Benefits	292,906
Payroll Deductions and Withholdings	10,122
Deferred Revenues	11,044
Total Current Liabilities	<u>671,033</u>
TOTAL LIABILITIES	<u>671,033</u>
NET ASSETS	
Unrestricted	<u>\$ 4,828,454</u>

The accompanying notes are an integral part of these financial statements.

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

SUPPORT AND REVENUE

Revenue from Local Sources:	
Food Service	\$ 77
District Activities	37,276
Other Revenues from Local Sources	1,458,219
Revenue from state sources:	
Unrestricted Grants-In-Aid	2,133,120
Restricted Grants-In-Aid	20,725
Revenue from federal sources:	
Restricted Grants-In-Aid Direct From the Federal Government	526,989
Restrict Grants-In-Aid from the Federal Government Through State	815,681
Total Support and Revenue	<u>4,992,087</u>

EXPENSES

Program Expenses:	
Instruction:	
Regular Programs	1,545,974
Special Education Programs	99,137
Career and Technical Education Programs	49,024
Other Instructional Programs	16,752
Special Programs	339,177
Support Services:	
Pupil Support Services	141,008
Instructional Staff Services	176,848
Operations and Maintenance of Plant Services	359,011
Student Transportation Services	225,228
Management and General Expenses:	
General Administration	29,112
School Administration	406,828
Operation of Non-Instructional Services	321,626
Total Expenses	<u>3,709,725</u>

INCREASE (DECREASE) IN NET ASSETS	1,282,362
Net Assets at Beginning of Year	3,546,092
Net Assets at End of Year	<u>\$ 4,828,454</u>

The accompanying notes are an integral part of these financial statements.

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash flows from operating activities

Change in net assets	<u>\$ 1,282,362</u>
Adjustments to reconcile the change in net assets to net cash provided by (used by) operating activities:	
Depreciation	73,498
(Increase) decrease in intergovernmental accounts receivable	51,007
Increase (decrease) in accounts payable	197,907
Increase (decrease) in accrued salaries and related benefits	11,663
Increase (decrease) in payroll deductions and withholdings	1,985
Increase (decrease) in deferred revenues	<u>2,463</u>
Total Adjustments	<u>338,523</u>
Net cash provided by (used in) operating activities	<u>1,620,885</u>

Cash flows from investing activities

Capital expenditures	(1,210,793)
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Cash flows from financing activities

Principal payments on short-term debt	<u>-</u>
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Net increase (decrease) in cash and cash equivalents	410,092
Cash and cash equivalents at beginning of year	<u>2,389,950</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,800,042</u></u>

The accompanying notes are an integral part of these financial statements.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Madison-Tallulah Education Center (the Organization) was created as a non-profit corporation under the laws of the State of Louisiana in 2004. The Organization entered into a Charter School Contract with the Louisiana State Board of Elementary and Secondary Education (BESE) beginning July 1, 2013, whereby the School would operate Tallulah Charter School (the School) as a Type 2 charter school as defined in Louisiana R.S. 17:3971, et. seq. The School serves eligible students in kindergarten through seventh grade, primarily in the parish of Madison. As the Organization is doing business as Tallulah Charter School, the Organization is hereafter referred to as "the School".

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School follows the guidance of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of the Not-for-Profit Entities Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on 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.

Revenues

The School's primary source of funding is through the State Public School Fund. The School receives funding per eligible student in attendance on October 1st, payable in monthly installments. The October 1st student count is audited by the Louisiana Department of Education. Adjustments are made in the following year. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Betterments, which naturally add to the value of related assets or materially extend the useful lives of assets, are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation (Continued)

Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the assets. The following are the estimated useful lives of the fixed assets of the School:

Category	Years Useful Life
Site Improvements	30
Buildings	30
Portable School Building	5
Furniture and Equipment	5-7
Computer Equipment	3
Buses	5-10
Software	5

At June 30, 2017, the School has only site improvements, furniture and equipment, computer equipment, buses, and software. The School's buildings and most buses are currently under operating leases.

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

Statement of Cash Flows

For purposes of the statement of cash flows, the School considers all investments purchased with an original maturity of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

All contracted employees of the School earn five days of annual leave per calendar year. Annual leave cannot be accumulated.

All contracted employees of the School earn a total of 10 days of sick pay per year, provided, however, that the employee is contracted for a full year. Sick leave may be accumulated from year to year, not to exceed 90 days. Employees are not paid for unused sick pay upon retirement or death.

Based on these policies, the financial statements do not include an accrual for compensated absences.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

The School receives more than 65% of its revenues, from the State of Louisiana, subject to its charter agreement with the State.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The School periodically maintains cash in one financial institution located in northern Louisiana in excess of insured limits. The School has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

NOTE 2 - CASH AND CASH EQUIVALENTS

The School's cash and cash equivalents (book balances) at June 30, 2017 of \$2,800,042 are stated at cost which approximates market.

NOTE 3 - GRANTS RECEIVABLE

As of June 30, 2017, grants receivable consisted of amounts due from the following sources:

General Fund	\$ 18,518
Title I	35,440
Title II	7,934
IDEA B	17,904
8(G)	3,390
Child Tween Fitness	106,325
Summer Feeding Program	9,514
School Improvement Grant	59,091
Jobs for America's Graduates	27,179
Teacher Incentive Fund	49,282
Total	<u>\$ 334,577</u>

All amounts listed above are considered fully collectible.

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

The following is a breakdown of property, plant, and equipment at June 30, 2017:

Construction in Progress	\$ 1,438,168
Site Improvements	694,627
Equipment	437,984
Total Property, Plant, and Equipment	<u>2,570,779</u>
Accumulated Depreciation	<u>(205,911)</u>
Total Property, Plant, and Equipment, net	<u>\$ 2,364,868</u>

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

The 22 acres of land being utilized by the School is leased for a nominal amount. The School also leases the current modular buildings and buses under operating leases with vendors. The City of Tallulah leased to the School a building on the site for a nominal amount. Construction in progress consists of improvements being made to the building. Site improvements include the cost of preparing the site for the buildings and the costs of driveways. Depreciation expense for the year ended June 30, 2017, was \$73,498. 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.

NOTE 5 - RETIREMENT PLAN

Substantially all employees of the School are members of the Teachers' Retirement System of Louisiana. The system is a cost-sharing, multiple-employer defined benefit pension plan administered by a board of trustees. Pertinent information relative to the plan follows.

Plan Description

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. 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, Louisiana 70804-9123.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The current rate, which was effective July 1, 2016, is 27.4% of annual eligible covered payroll. The employer contribution rates for the years ended June 30, 2016, 2015, and 2014 were 28.2%, 28.9%, and 28.0%, 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 the plan for the year ended June 30, 2017 were \$347,980, which was equal to the required contribution.

NOTE 6 - UNCERTAIN INCOME TAXES

The nonprofit organization's tax returns for fiscal years 2010 through 2016 were filed appropriately. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2010 through 2016. Management has evaluated the School's tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 - LEASES

The School has entered into various operating lease agreements for buildings and buses. Future expense under these agreements is currently estimated as follows:

<u>Year</u> <u>Ending</u>	<u>Buses</u>	<u>Total</u>
2018	\$ 65,500	\$ 65,500
Total	<u>\$ 65,500</u>	<u>\$ 65,500</u>

Rent expense for the year ended June 30, 2017 was \$247,266.

NOTE 8 – RELATED PARTY TRANSACTIONS

As of June 30, 2017, the School owed the CEO \$3,848 for loans she made to the school while it was applying for grant funds.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

At June 30, 2017, the School was in the process of renovating a building leased from the City of Tallulah. Management plans for the building to be used for elementary classrooms. As of June 30, 2017, costs totaling approximately \$1.4 million had been incurred for engineering and construction. These costs are included in construction in progress.

During the fiscal year, the School was investigated for alleged inappropriate actions during standardized testing. As a result of the investigation, subsequent to year end, the Department of Education voided a significant number of student test scores. This action resulted in the School receiving a grade of “F” from the Louisiana Department of Education. As discussed in Note 10, subsequent to year end, the School’s charter was not renewed. Management and the Board have consulted legal counsel to consider possible courses of action to attempt to keep the School open.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 16, 2018, and determined that the following event occurred that require disclosure.

The School’s charter contract with the Louisiana Department of Education was dated July 1, 2013 and expires on June 30, 2018 if no extension is approved. The Louisiana Board of Elementary and Secondary Education (BESE) met during December 2017. The School was not granted an extension.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 – GOING CONCERN

The financial statements have been prepared assuming that the School will continue as a going concern. As further discussed in Note 10 to the financial statements, The School's charter contract was not approved for extension. Without the extension, the School's funding will be discontinued, and the assets will be transferred to the Department of Education. While management intends to continue to appeal to BESE to grant the extension, there are no indications that the extension will occur. As a result, management acknowledges that there continues to be substantial doubt about the School's ability to continue as a going concern within one year after issuance of the financial statements.

Supplementary Information

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic and Unsatisfactory. This schedule includes three years of data.

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 8 - Graduation Exit Exam

This schedule is no longer required.

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

**Tallulah Charter School
Tallulah, Louisiana**

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2017**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 830,594	
Other Instructional Staff Activities	79,329	
Instructional Staff Employee Benefits	341,614	
Purchased Professional and Technical Services	33,832	
Instructional Materials and Supplies	36,703	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u> </u>	\$ 1,322,072
Other Instructional Activities	21,005	21,005
Pupil Support Activities	89,295	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	<u> </u>	89,295
Instructional Staff Services	-	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	<u> </u>	<u> </u>
School Administration	366,032	
Less: Equipment for School Administration	-	
Net School Administration	<u>366,032</u>	<u>366,032</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>1,798,404</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>201,000</u>
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue		<u> </u>
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		<u> </u>
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		<u> </u>
Nonpublic Textbook Revenue		<u> </u>
Nonpublic Transportation Revenue		<u> </u>

**Tallulah Charter School
Tallulah, Louisiana**

**Education Levels of Public School Staff
As of October 1, 2016**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0	0	0	0	0	0	0
Bachelor's Degree	1	4%	18	75%	0	0	0	0
Master's Degree	3	13%	1	4%	0	0	0	0
Master's Degree + 30	0	0%	0	0%	0	0	0	0
Specialist in Education	0	0%	1	4%	1	100%	0	0
Ph. D. or Ed. D.	0	0%	0	0%	0	0	0	0
Total	4	17%	20	83%	1	100%	0	0%

**Tallulah Charter School
Tallulah, Louisiana**

**Number and Type of Public Schools
For the Year Ended June 30, 2017**

Type	Number
Elementary	
Middle/Jr. High	
Secondary	
Combination	1
Total	1

Note: Schools opened or closed during the fiscal year are included in this schedule.

**Tallulah Charter School
Tallulah, Louisiana**

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2016**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	0	0	0	0	0	0
Principals	0	0	0	1	0	0	0	1
Classroom Teachers	11	4	3	2	3	0	1	24
Total	11	4	3	3	3	0	1	25

Tallulah Charter School
Tallulah, Louisiana

Public School Staff Data: Average Salaries
For the Year Ended June 30, 2017

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$31,759	\$31,717
Average Classroom Teachers' Salary Excluding Extra Compensation	\$31,759	\$31,717
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	25	25

*This data comes from Department of Education.

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**Tallulah Charter School
Tallulah, Louisiana**

**Class Size Characteristics
As of October 1, 2016**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	23%	5	41%	9	9%	2	0%	0
Elementary Activity Classes	0%	0	0%	0	0%	0	0%	0
Middle/Jr. High	27%	6	0%	0	0%	0	0%	0
Middle/Jr. High Activity Classes	0%	0	0%	0	0%	0	0%	0
High	0%	0	0%	0	0%	0	0%	0
High Activity Classes	0%	0	0%	0	0%	0	0%	0
Combination	0%	0	0%	0	0%	0	0%	0
Combination Activity Classes	50%	11	41%	9	9%	2	0%	0

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

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	4%	5%	0%	0%	1%
Mastery	0%	38%	60%	0%	58%	57%
Basic	0%	30%	12%	0%	26%	16%
Approaching Basic	0%	20%	16%	0%	16%	20%
Unsatisfactory	0%	8%	7%	0%	0%	7%
Total	0%	100%	100%	0%	100%	101%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	1%	13%	N/A	2%
Mastery	0%	39%	47%	40%	N/A	30%
Basic	0%	47%	23%	21%	N/A	56%
Approaching Basic	0%	10%	23%	13%	N/A	7%
Unsatisfactory	0%	4%	7%	12%	N/A	5%
Total	0%	100%	101%	99%	N/A	100%

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3%	N/A	N/A	0%	N/A	N/A
Mastery	5%	N/A	N/A	3%	N/A	N/A
Basic	47%	N/A	N/A	5%	N/A	N/A
Approaching Basic	26%	N/A	N/A	32%	N/A	N/A
Unsatisfactory	18%	N/A	N/A	61%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	N/A	N/A	0%	N/A	N/A
Mastery	0%	N/A	N/A	8%	N/A	N/A
Basic	5%	N/A	N/A	3%	N/A	N/A
Approaching Basic	50%	N/A	N/A	29%	N/A	N/A
Unsatisfactory	45%	N/A	N/A	60%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

Schedule 8

**Tallulah Charter School
Tallulah, Louisiana**

**Graduation Exit Examination (GEE)
For the Year Ended June 30, 2017**

The Graduation Exit Examination is no longer administered. This schedule is no longer applicable.

iLEAP Tests
For the Year Ended June 30, 2017

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	4%	2%	11%	N/A	4%
Mastery	0%	11%	20%	55%	N/A	13%
Basic	0%	47%	28%	23%	N/A	30%
Approaching Basic	0%	28%	33%	9%	N/A	33%
Unsatisfactory	0%	9%	17%	2%	N/A	20%
Total	0%	99%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	2%	0%	N/A	2%
Mastery	11%	7%	8%	9%	N/A	10%
Basic	66%	61%	31%	6%	N/A	48%
Approaching Basic	17%	22%	40%	15%	N/A	19%
Unsatisfactory	6%	10.5%	19%	70%	N/A	21%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	2%	0%	N/A	4%
Mastery	11%	7%	4%	9%	N/A	8%
Basic	66%	45%	33%	6%	N/A	33%
Approaching Basic	17%	43%	47%	15%	N/A	37%
Unsatisfactory	6%	5%	14%	70%	N/A	18%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	0%	0%	N/A	3%	N/A	N/A
Mastery	10%	5%	N/A	5%	N/A	N/A
Basic	35%	45%	N/A	33%	N/A	N/A
Approaching Basic	23%	26%	N/A	21%	N/A	N/A
Unsatisfactory	33%	24%	N/A	38%	N/A	N/A
Total	100%	100%	N/A	100%	N/A	N/A

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, REIMBURSEMENTS,
AND OTHER PAYMENTS TO AGENCY HEAD (CEO)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Dr. Patricia B. Candler, CEO

Salary	\$ 107,000
Salary Supplements	6,883
Auto Allowance	9,000
Stipends	8,450
Benefits:	
FICA	7,886
Medicare	3,361
Reimbursements	10,958
	<u>\$ 153,538</u>

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**SCHEDULE OF BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2017**

Dr. Patricia B. Candler, Secretary/Treasurer
101 Travis Street, Tallulah, LA 71282

Angela Claxton
203 West Scott Street, Tallulah, LA 71282

Lucille Esters
1003 Kimbrough Avenue, Tallulah, LA 71282

Keary Grayson
405 East Washington Street, Tallulah, LA 71282

Myra Harris
210 Bobby Street, Tallulah, LA 71282

Alma Kendrick, Vice President
214 8th Street, Tallulah, LA 71282

Gloria Watkins, President
709 Cable Street, Tallulah, LA 71282

Calvin Washington
113 W. Oughborne Street, Tallulah, LA 71282

Note: Board members serve without compensation.

Other Reports



Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Management of Tallulah Charter School
Tallulah, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Tallulah Charter School and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Tallulah Charter 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. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

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

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

We noted no exceptions.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1.

We noted no exceptions.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

We noted no exceptions.

Tallulah Charter School

Tallulah, Louisiana

Independent Accountant's Report on Applying Agreed-Upon Procedures June 30, 2017

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

For four teachers, we were unable to determine whether the individual's education levels were properly classified.

Number and Type of Public Schools (Schedule 3)

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

We noted no exceptions.

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

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

For eight employees, we were unable to determine whether the individual's experience was properly classified.

Public School Staff Data: Average Salaries (Schedule 5)

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

For eight teachers, we were unable to determine whether the individual's salary, was properly included on the schedule.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Due to the results of procedure number 7 above, we were unable to recalculate the average salaries and full-time equivalents reported in the schedule.

Class Size Characteristics (Schedule 6)

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

The roll books do not support the data in Schedule 6.

Tallulah Charter School
Tallulah, Louisiana
Independent Accountant's Report on
Applying Agreed-Upon Procedures
June 30, 2017

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

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

We did not complete this procedure. Subsequent to June 30, 2017, management was notified that the Louisiana Department of Education had initiated an investigation into the School's standardized testing scores. As a result of the investigation, the Department voided a significant number of the School's test scores resulting in a school grade of "F". To our knowledge, the schedule does not reflect the voided scores.

Graduation Exit Examination (GEE) (Schedule 8)

11. The Graduation Examination (GEE) is no longer administered. This schedule is no longer applicable.

iLEAP Tests (Schedule 9)

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

We did not complete this procedure. Subsequent to June 30, 2017, management was notified that the Louisiana Department of Education had initiated an investigation into the School's standardized testing scores. As a result of the investigation, the Department voided a significant number of the School's test scores resulting in a school grade of "F". To our knowledge, the schedule does not reflect the voided scores.

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 Tallulah Charter School, 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.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
February 16, 2018



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 CEO and Members of the Board
Tallulah Charter School
Tallulah, 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 Madison-Tallulah Education Center d/b/a Tallulah Charter School (a nonprofit organization) (the School), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Tallulah Charter School's basic financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tallulah Charter School's internal control over financial reporting (internal control) to determine the 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 Tallulah Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tallulah Charter 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. [2017-001, 2017-004]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tallulah Charter 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2017-002, 2017-003, 2017-005, 2017-006].

Tallulah Charter School
Tallulah, Louisiana
Independent Auditor's Report - GAGAS
June 30, 2017

Tallulah Charter School's Response to Findings

Tallulah Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tallulah Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BOSCH & STATHAM, LLC



Ruston, Louisiana
February 16, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the CEO and Members of the Board
Tallulah Charter School
Tallulah, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Tallulah Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tallulah Charter School's major federal programs for the year ended June 30, 2017. Tallulah Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tallulah Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Tallulah Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tallulah Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Tallulah Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Tallulah Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tallulah Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tallulah Charter School's internal control over compliance.

Tallulah Charter School

Tallulah, Louisiana

Independent Auditor's Report – Uniform Guidance

June 30, 2017

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BOSCH & STATHAM, LLC



Ruston, Louisiana

February 16, 2018

**TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
United States Department of Agriculture:		
Passed through the Louisiana Department of Education:		
Child Nutrition Cluster:		
National School Lunch Program (NSLP)	10.555	\$ 312,562
Summer Feeding Scholl Program (SFSP)	10.559	9,063
Total Child Nutrition Cluster		<u>321,625</u>
Total United States Department of Agriculture		<u>321,625</u>
United States Department of Education:		
Direct - Charter Schools	84.282	54,225
Passed through the Louisiana Department of Education:		
Title I - Grants to Local Educational Agencies	84.010	154,955
Special Education Cluster - Grants to States (IDEA Part B)	84.027	58,770
Education for Homeless Children and Youth	84.196	675
Physical Education Program - Child Tween Fitness	84.215	472,763
Title II-A - Improving Teacher Quality State Grants	84.367	30,168
Teacher and School Leader Incentive Grants	84.374	49,282
School Improvement Grants	84.377	135,797
Total United States Department of Education		<u>956,635</u>
United States Department of Health and Human Services:		
Passed through the Louisiana Department of Education:		
Temporary Assistance for Needy Families (TANF) State Programs - Jobs for America's Graduates		<u>49,023</u>
Total federal expenditures		<u>\$ 1,327,283</u>

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTES:

General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Tallulah Charter School as defined in Note 1 to the financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the School's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Tallulah Charter School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements. However, an emphasis-of-matter paragraph is included.
2. Two material weaknesses are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. Four instances of noncompliance material to the financial statements of the Tallulah Charter School were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance.
5. The auditor's report on compliance for the major federal award programs for the Tallulah Charter School expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The following programs were tested as major programs:
 - a. United States Department of Agriculture – Child Nutrition Cluster - National School Lunch Program (CFDA 10.555) and Summer Food Service Program for Children (CFDA 10.559)
 - b. United States Department of Education – Fund for the Improvement of Education (CFDA 84.215)
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Tallulah Charter School was determined not to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year

2017-001 Bank Reconciliation Issues

Year First Reported

2016

Type

Material Weakness

Condition

The bank reconciliation for the master bank account includes a \$396,318 reconciling item that is not valid.

Criteria

Bank accounts are not truly reconciled unless reconciling items between the bank balance and book balance are valid. Basic practices include reconciling on a monthly basis.

Cause

There is a problem with the accounting software that has been ongoing since the school's inception. Specifically, the problem occurred with the way the software processes summer payroll. The Business Manager has repeatedly requested that the software company correct the problem.

Effect

The cash account is not really reconciled unless reconciling items can be validated. Cash or other items could be misstated.

Recommendation

We recommend that management contact the management of the software company.

Management's Response

See management's corrective action plan.

2017-002 Charter Not Renewed and Testing Irregularities

Year First Reported

2017

Type

Noncompliance

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Condition

The School's Charter Contract with the Louisiana Department of Education stipulated that after four years the School would be evaluated for charter extension. The charter was extended to June 30, 2017. Subsequent to the date of the financial statements, management was notified that the Department had initiated an investigation into the School's standardized testing scores. As a result of the investigation, the Department voided a significant number of the School's test scores resulting in a school grade of "F". In December 2017, the Louisiana Board of Elementary and Secondary Education (BESE) met to consider the extension of the School's charter contract. BESE voted not to grant the School the extension.

Criteria

See the Condition.

Cause

We did not identify the cause.

Effect

The charter was not extended. Barring any change in BESE's decision, the school will close at the end of the current school year or June 30, 2018. The Charter Contract contains detailed information regarding the process for dissolution. It specifies that the School's assets are to be transferred to the Department in the event the School closes.

Recommendation

We recommend that management and the School's Board take appropriate action to ensure that it complies with the charter contract and federal and state laws.

Management's Response

See management's corrective action plan.

2017-003 Noncompliance with Bid Law

Year First Reported

2017

Type

Noncompliance

Condition

In a previous fiscal year, the School let a construction contract for renovations to a building to be used to house classrooms. The original contract was let in accordance with the bid law. However, three change orders have been approved without further bids. The change orders increased the contract amount by \$10,671, \$439,500, and \$510,750, respectively. The total costs incurred through June 30, 2017 total more than \$1,000,000.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Criteria

Louisiana Revised Statute 38:2212(M) says in part, “(4) Any change order outside the scope of the contract in excess of the contract limit as defined herein shall be let out for public bid as provided by this Part.”

Cause

Management believed the change order was allowable based on the advice of a trusted professional.

Effect

The School did not comply with the bid law which is designed to ensure that contracts funded by public dollars are executed in a fair manner for a fair price.

Recommendation

We recommend that management ensure that future contracts and change orders are in accordance with the bid law and School policy.

Management’s Response

See management’s corrective action plan.

2017-004 Internal Control over Receipts, Purchases, and Disbursements

Year First Reported

2017

Type

Material Weakness

Condition

The statewide agreed-upon procedures report for the year ended June 30, 2017, identified some deficiencies in internal control that should be evaluated individually and as a whole. The issues identified are related to improper segregation of duties, authorization, monitoring, and other areas.

Criteria

Best practices for internal control outlined in the Green Book and the LLA’s Best Practices publication.

Cause

Management had not evaluated controls in comparison with the criteria.

Effect

The risk of material misstatement, fraud, or noncompliance may not be reduced to an appropriate level.

Recommendation

We recommend that management consider the results of the procedures and determine what changes should be made.

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Management's Response

See management's corrective action plan.

2017-005 Late Audit Submission

Year First Reported

2017

Type

Noncompliance

Condition

The audit will be submitted after December 31, 2017.

Criteria

The Louisiana Audit Law requires that the audit report be submitted to the Louisiana Legislative Auditor (LLA) by December 31, 2017.

Cause

The auditor required additional time to evaluate the effects on the audit of the issue described in finding 2017-002.

Effect

The School is not in compliance with the audit law and has been placed on the LLA's noncompliance list. Entities on the list do not receive state funds while they are on the list.

Recommendation

We recommend that management respond to the auditor's request in a timely manner to facilitate the completion of the audit.

Management's Response

See management's corrective action plan.

2017-006 Retirement Expenses

Year First Reported

2017

Type

Noncompliance

TALLULAH CHARTER SCHOOL
TALLULAH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

Condition

In August 2016, the School remitted \$8,592 to the Teachers' Retirement System of Louisiana. The payment was required by the System because the School hired a consultant that was a retiree of the System. The consulting fees exceeded the amount a retiree is allowed to receive while receiving benefits from the System. The amount represents forty days worked at a rate of \$214.80 as calculated by the System.

Criteria

The System's form, *Return to Work – Employer Charge of Overpaid Benefits*, references LSA-R.S. 11:710 (Act 921).

Cause

The School did not consider whether the individual was a retiree of the System.

Effect

The School was required to pay to the System the excess amount of benefits paid to the retiree, as calculated by the System.

Recommendation

We recommend that the School design and implement policies and procedures to ensure compliance with the referenced statute.

Management's Response

See management's corrective action plan.

Prior Year

2016-001 Bank Reconciliation Issues

Not resolved.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

Current Year

No findings were reported.

Prior Year

No findings were reported.

Tallulah Charter School

1206 North Cedar Street
Tallulah, LA 71282
318-574-0029
Patricia B. Candler, Ed.D., C.E.O.

February 16, 2018

Bosch & Statham, LLC
Post Office Box 2377
Ruston, Louisiana 71273

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period July 1, 2016 through June 30, 2017, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (should be customized by entity, as applicable).

Yes No

2. For the fiscal period July 1, 2016 through June 30, 2017, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No

4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between June 30, 2017, and Date of Practitioner's Report.
- Yes No
6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.
- Yes No
7. We represent that the listing of bank accounts provided to you is complete.
- Yes No
8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.
- Yes No
9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.
- Yes No
10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards, provided to you is complete.
- Yes No
11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.
- Yes No
12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.
- Yes No

13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.

Yes No

14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.

Yes No

15. We have disclosed to you all matters related to the SAUPs that may be exceptions to the procedures.

Yes No

16. We have responded fully to all inquiries made by you during the engagement.

Yes No

17. We are not aware of any events that have occurred subsequent to June 30, 2017, that would require adjustment to or modification of the results of the agreed-upon procedures.

Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature Patricia D. Candler Date 2/21/2018

Title Chief Executive Officer

Signature Walter R. Hykes Date 2/21/18

Title Business Manager



Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the CEO and Board of Tallulah Charter School
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Tallulah Charter School (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

We obtained the School's budgeting policy.

Exceptions: None

- 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.

We obtained the School's purchasing policy.

Exceptions: The policy does not address how vendors are added to the vendor list or purchase orders.

Management's Response: See Management's Corrective Action Plan

- c) ***Disbursements***, including processing, reviewing, and approving

The School did not submit a disbursements policy to us.

Exceptions: No policy

Management's Response: See Management's Corrective Action Plan

- d) **Receipts**, including receiving, recording, and preparing deposits
We obtained the School's receipts policy.
Exceptions: None
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
We obtained the School's payroll/personnel policy.
Exceptions: The policy does not address payroll processing.
Management's Response: See Management's Corrective Action Plan
- 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
The School's policy manual addresses contracts. However, it is not specific as to (1), (2), (4), and (5).
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
- 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, and (5) monitoring card usage
The School did not submit a credit card policy to us.
Exceptions: No policy
Management's Response: See Management's Corrective Action Plan
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
We obtained the School's travel and expense policy.
Exceptions: The policy does not include dollar thresholds.
Management's Response: See Management's Corrective Action Plan
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
We obtained the School's ethics policy.
Exceptions: None
Management's Response: See Management's Corrective Action Plan

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The School did not submit a debt service policy to us.

Exceptions: No policy

Management's Response: See Management's Corrective Action Plan

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

We obtained the board minutes. The Board met at least monthly.

Exceptions: None

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes did not reference or include monthly budget-to-actual comparisons. However, we noted that in five meetings, the budget was discussed.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes did not reference or include monthly budget-to-actual comparisons.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes did reference approval of monthly disbursements and various contracts.

Exceptions: None.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We obtained a listing and management's representation.

Exceptions: None

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all twelve months.

Exceptions: None

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations did not include evidence that a member of management or a board member has reviewed each bank reconciliation.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

The bank reconciliations did not include documentation reflecting that management had researched reconciling items that had been outstanding for more than 6 months as of the end of the fiscal period.

Exceptions: See above

Management's Response: See management's corrective action plan.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We received the listing and the representation.

Exceptions: None

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We obtained the School's insurance policy declarations. The policies include employee theft. The policy does not state which employees are covered.

The employee responsible for collecting cash and preparing the deposit also records deposits in the accounting software. However, the Business Manager takes deposits to the bank and reconciles the accounts.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We obtained the receipt books, the general ledger, and the School's policies and procedures. A secretary logs in mail and passes that log to the Business Manager. Another secretary prepares cash receipts and deposits and records deposits. The Business Manager takes deposits to the bank and reconciles the bank account. We did not identify a formal process to reconcile receipt books to deposits.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

We selected the highest week of collections, the week of March 20th through the 24th of 2017.

Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

There were eight deposits during the selected week. Five of the eight deposits were electronic transfers from the Louisiana Office of Statewide Reporting. The three remaining deposits included four separate receipts. Of the four receipts, one was not supported by a receipt, so the receipt date could be compared to the deposit date. The other receipts were deposited within one day of receipt.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

A receipt could not be located for one cash collection.

Exceptions: See above.

Management's Response: See management's corrective action plan.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

We obtained the available documentation.

Exceptions: We did not identify such a process.

Management's Response: See management's corrective action plan.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We obtained a check register and management's representation.

Exceptions: None

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

We selected 25 disbursements from the check register.

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

A purchase order system is in place but does not appear to be properly used. As many purchase orders are prepared after the invoice date and are very detailed, it appears that purchase orders are being prepared after the purchase. Eight of twenty-five disbursements required a purchase order.

Exceptions: The design of the system does not require identification of the purchase initiator. However, the purchase orders are approved by signature.

Management's Response: See management's corrective action plan.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The purchase orders were approved by an appropriate person. However, the initiator of the purchase is not documented.

Exceptions: We were unable to determine whether the purchase order was approved by a person who did not initiate the purchase.

Management's Response: See management's corrective action plan.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Out of 25 disbursements, 8 required purchase orders. Out of 25 disbursements, documentation for 15 checks should have included documentation that goods were received. Out of 15, 6 checks did not include documentation of receipt of goods. One disbursement was not properly supported by an invoice.

Exceptions: See above.

Management's Response: See management's corrective action plan.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We obtained the purchasing policy. However, there is no documentation of the date the policy was adopted. Business Manager is the person responsible for processing payments. Business Manager is also able to add vendors to the purchasing/disbursement system.

Exceptions: See above.

Management's Response: See management's corrective action plan.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The CEO has final authorization for purchase. The Business Manager records purchases. The Business Manager has some responsibility for initiating purchases for items for her office. Purchases initiated by other employees are reviewed by the CEO and recorded by the Business Manager.

Exceptions: See above.

Management's Response: See management's corrective action plan.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We inquired of the Business Manager. She is the only person who prepares checks. She keeps the supply of unused checks in a locked filing cabinet in her office. The Business Manager is the only person with a key to the filing cabinet.

Exceptions: None

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The School does not use a signature stamp or machine. The checks are signed electronically through the accounting system in which the checks are printed. The Business Manager is the only person allowed access to the part of the system that allows printing and signing of checks.

Exceptions: None

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

We obtained a listing of cards and management's representation that the listing is complete.

Exceptions: None

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, 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.]

The School only has one card. We noted no evidence that the monthly statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

The school did not incur finance charges or late fees on the selected statements.

Exceptions: None

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

There were thirty-one transactions on the card statement selected for testing. Out of the thirty-one charges, one was not properly supported by an original itemized receipt. The purpose of the expense was not documented for three of the selected transactions. Purchase orders were not required for the card transactions.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared the details of the selected transactions to the policies and to the bid law.

Exceptions: None

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution. Four of the thirty-one transactions may violate the section.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We obtained details of all travel expense accounts and sorted the transactions by payee. We obtained management's representation that the listing is complete.

Exceptions: None

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We obtained the policies. The policy does not include rates except to say that mileage is reimbursed at the IRS rate.

Management's Response: See management's corrective action plan.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We compared the expense documentation to GSA rates.

Exceptions: None

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Three of the fourteen reimbursements were not supported by original itemized receipts. All reimbursements were supported by documentation of business purpose and documentation as required by policy.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

Exceptions: None

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We inspected receipts and other support for travel and expenses and noted that a person other than the person receiving the reimbursement approved the reimbursement reports.

Exceptions: None

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We created a list of contracts using the check register and general ledger which we discussed with the CEO. We also obtained management's representation that the listing is complete.

Exceptions: None

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

We filtered the data in the check register for the five contract vendors that were paid the most during the fiscal period.

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Management did not submit complete contracts for two of the five contracts selected for testing.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

One of the contracts selected for testing appeared to be subject to the Louisiana Public Bid Law or Procurement Code.

The School did obtain bids for the initial contract. However, subsequent change orders appear to significantly alter the original scope of the project. No bids were obtained for the apparent changes in scope.

It does not appear that the entity solicited quotes for the contracts that were not subject to the bid law.

Exceptions: Management did not advertise for bids for the change in scope of a project. Management did not obtain quotes for those contracts not subject to the bid law.

Management's Response: See management's corrective action plan.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We noted one contract that had three amendments. The amendments were \$10,671, \$439,500, and \$510,750, respectively.

Exceptions: We noted no indications that the original contract terms contemplated or provided for such amendments.

Management's Response: See management's corrective action plan.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We compared the largest payment from each of the five contracts to the documents provided by management. We were unable to agree two of the invoices with the contract terms.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We reviewed the board minutes and contract documentation. One of the contracts selected was approved by the council per minutes. The School's policy manual appears to require review of contracts by legal counsel. It is unclear whether Board approval is required for all contracts.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We obtained the listing and management's representation that the listing is complete. We selected five employees/officials and obtained their personnel files.

Exceptions: None

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We obtained detail of the employees' pay for the fiscal year and compared to documentation of authorization.

Exceptions: None

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

The entity does not maintain separate records of leave balances apart from what is recorded in the accounting software (GFA). The GFA report shows sick days earned and taken but does not show a running balance. We selected twenty-five employees for testing. We were able to inspect documented attendance and leave for twenty-two of the employees.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

The supervisor approval of attendance was not documented. We did inspect documentation of approval of leave when applicable for the sample.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We inspected leave records for the twelve employees in our sample that took leave during the selected pay period.

Exceptions: None

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We obtained a representation from management that asserted no employees were terminated during the fiscal period.

Exceptions: None

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We obtained IRS Forms 941, Louisiana forms L-1, and retirement contribution reports for the Teachers' Retirement System of Louisiana. We reviewed available documentation of file dates and pay dates.

Exceptions: It appears that state withholding payments should be submitted monthly. However, management asserts it has received no notices. The quarterly state withholding forms due January 31, 2017 and April 30, 2017 were filed July 11, 2017. We were unable to locate documentation of filing dates for three of the monthly retirement contribution reports.

Management's Response: See management's corrective action plan.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Not applicable.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

We noted no indications that debt was issued during the fiscal period.

Exceptions: None.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The entity did not have outstanding debt during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

We noted no such millages.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

We inquired of the CEO and Business Manager. We did not identify any misappropriation.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We toured the School grounds and reviewed the School's website.

Exceptions: We did not locate a posting of the notice as required.

Management's Response: See management's corrective action plan.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We noted no exceptions.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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 those C/C areas identified in the SAUPs, and the result 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 LLA as a public document.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
February 16, 2018



Tallulah Charter School

1206 North Cedar Street
Tallulah, LA 71282
Patricia B. Candler, Ed.D., Chief Executive Officer

February 14, 2018

Dear Bosch & Statham, LLC:

Below is management's corrective action plan to respond to the 2017 audit and statewide agreed-upon procedures.

2017-001

The Business Manager will review the accrual journals to determine the issue, discuss with software personnel the need for journals to be an actual representation of the accounts and amounts as presented, and discuss with the auditor as to the best way to rectify the issue.

2017-002

Madison-Tallulah Education Center DBA Tallulah Charter School Board will train all employees on charter, federal, and state laws to ensure that we comply with all laws.

2017-003

We will ensure that all future contracts/projects and change orders are in accordance with bid law and school policy.

2017-004

We will evaluate all deficiencies in internal control and ensure that policies are set and followed as well as make changes when needed.

2017-005

We will respond to the auditor's request in a timely manner to facilitate the completion of all audits.

2017-006

We will ensure that we do a Louisiana retirement search for all personnel before hiring the personnel.

Statewide AUPs

We will consider the results of the procedures and determine what actions need to be taken.

Respectfully,

Patricia B. Candler, Ed.D., Chief Executive Officer