

D'Arbonne Woods Charter School, Inc.
Farmerville, Louisiana

Financial Report
For the Years Ended June 30, 2018 and 2017

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

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Farmerville, Louisiana

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
D'Arbonne Woods Charter School, Inc.
Farmerville, Louisiana**

We have audited the accompanying financial statements of the D'Arbonne Woods Charter School (a nonprofit organization, the School), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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.

Board of Directors
D'Arbonne Woods Charter School
Farmerville, Louisiana

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 financial position of D'Arbonne Woods Charter School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

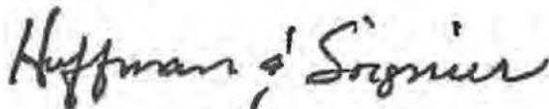
Other Matters

Supplementary 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Schedule of Compensation, Benefits, and Other Payments to the Executive Director are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the School's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)
December 21, 2018

FINANCIAL STATEMENTS

D'ARBONNE WOODS CHARTER SCHOOL, INC.

Farmerville, Louisiana

Statements of Financial Position

	<u>June 30, 2018</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash	\$ 4,404,564	\$ 141,373	\$ 4,545,937
Cash held for school facility construction	-	-	-
Investments	208,613	-	208,613
Funds held by fiscal agent	1,732,227	-	1,732,227
Accounts receivable	-	-	-
Grants receivable	640,007	-	640,007
Unamortized bond issuance cost	296,279	-	296,279
Land	473,787	-	473,787
Buildings	20,291,454	-	20,291,454
Building improvements	57,055	-	57,055
Land improvements	30,810	-	30,810
Construction in progress	292,894	-	292,894
Equipment	1,038,906	2,530	1,041,436
Vehicles	237,573	-	237,573
Accumulated depreciation	<u>(1,557,700)</u>	<u>(2,024)</u>	<u>(1,559,724)</u>
Total assets	\$ <u>28,146,469</u>	\$ <u>141,879</u>	\$ <u>28,288,348</u>
Liabilities and net assets			
Liabilities			
Accounts and retainage payable	\$ 170,319	\$ -	\$ 170,319
School activity funds payable	-	1,638	1,638
Payroll liabilities	409,975	-	409,975
Compensated absences	202,142	-	202,142
Long-term debt, current portion	259,193	-	259,193
Total current liabilities	<u>1,041,629</u>	<u>1,638</u>	<u>1,043,267</u>
Long-term debt	22,313,782	-	22,313,782
Total liabilities	<u>23,355,411</u>	<u>1,638</u>	<u>23,357,049</u>
Net assets	<u>4,791,058</u>	<u>140,241</u>	<u>4,931,299</u>
Total net assets	<u>4,791,058</u>	<u>140,241</u>	<u>4,931,299</u>
Total liabilities and net assets	\$ <u>28,146,469</u>	\$ <u>141,879</u>	\$ <u>28,288,348</u>

The accompanying notes are an integral part of these statements

June 30, 2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 4,146,518	\$ 106,177	\$ 4,252,695
340,825	-	340,825
206,544	-	206,544
1,480,210	-	1,480,210
2,032	908	2,940
432,549	-	432,549
309,460	-	309,460
473,787	-	473,787
19,803,118	-	19,803,118
44,305	-	44,305
30,810	-	30,810
56,600	-	56,600
832,038	2,530	834,568
237,573	-	237,573
(917,711)	(1,518)	(919,229)
<u>\$ 27,478,658</u>	<u>\$ 108,097</u>	<u>\$ 27,586,755</u>

\$ 277,246	\$ -	\$ 277,246
-	3,994	3,994
713,019	-	713,019
179,140	-	179,140
257,544	-	257,544
<u>1,426,949</u>	<u>3,994</u>	<u>1,430,943</u>
<u>22,356,448</u>	<u>-</u>	<u>22,356,448</u>
<u>23,783,397</u>	<u>3,994</u>	<u>23,787,391</u>
<u>3,695,261</u>	<u>104,103</u>	<u>3,799,364</u>
<u>3,695,261</u>	<u>104,103</u>	<u>3,799,364</u>
<u>\$ 27,478,658</u>	<u>\$ 108,097</u>	<u>\$ 27,586,755</u>

D'ARBONNE WOODS CHARTER SCHOOL, INC.

Farmerville, Louisiana

Statements of Activities

For the Years Ended

	June 30, 2018		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
State public school funding	\$ 9,351,145	\$ -	\$ 9,351,145
Federal sources	828,877	-	828,877
State sources	-	-	-
School activity funds			
Donations	40,961	5,492	46,453
Fundraisers	27	153,526	153,553
Cost of direct benefit to donors	-	(17,228)	(17,228)
Meal income	78,461	-	78,461
Other income	66,174	176,985	243,159
Interest income	37,122	-	37,122
Total	<u>10,402,767</u>	<u>318,775</u>	<u>10,721,542</u>
Net assets released from restrictions	<u>282,637</u>	<u>(282,637)</u>	<u>-</u>
Total support and revenue	10,685,404	36,138	10,721,542
Expenses and losses			
Program Services	8,984,620	-	8,984,620
Support Services			
Management and general	555,395	-	555,395
Fundraising expenses	49,592	-	49,592
Total expenses	<u>9,589,607</u>	<u>-</u>	<u>9,589,607</u>
Loss on sale of assets	-	-	-
Total expenses and losses	<u>9,589,607</u>	<u>-</u>	<u>9,589,607</u>
Increase in net assets	1,095,797	36,138	1,131,935
Net assets at beginning of year	<u>3,695,261</u>	<u>104,103</u>	<u>3,799,364</u>
Net assets at end of year	<u>\$ 4,791,058</u>	<u>\$ 140,241</u>	<u>\$ 4,931,299</u>

The accompanying notes are an integral part of these statements

June 30, 2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 9,159,835	\$ -	\$ 9,159,835
551,227	-	551,227
14,666	-	14,666
430	1,545	1,975
633	83,486	84,119
-	(7,481)	(7,481)
57,574	-	57,574
59,989	177,312	237,301
27,226	-	27,226
<u>9,871,580</u>	<u>254,862</u>	<u>10,126,442</u>
180,720	(180,720)	-
<u>10,052,300</u>	<u>74,142</u>	<u>10,126,442</u>
9,266,859	-	9,266,859
565,466	-	565,466
26,488	-	26,488
<u>9,858,813</u>	<u>-</u>	<u>9,858,813</u>
26,294	-	26,294
<u>9,885,107</u>	<u>-</u>	<u>9,885,107</u>
167,193	74,142	241,335
<u>3,528,068</u>	<u>29,961</u>	<u>3,558,029</u>
<u>\$ 3,695,261</u>	<u>\$ 104,103</u>	<u>\$ 3,799,364</u>

D'ARBONNE WOODS CHARTER SCHOOL, INC.

Farmerville, Louisiana

Statements of Cash Flows

	<u>For the Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,131,935	\$ 241,335
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	640,495	583,699
Bond amortization	13,180	13,180
Loss on sale of assets	-	26,294
Changes in assets and liabilities		
Accounts receivable	2,940	(2,682)
Grants receivable	(207,457)	(152,428)
Accounts payable	(109,285)	(1,194,600)
Payroll liabilities	(280,042)	(22,866)
Deferred revenues	-	(7,975)
Net cash provided (used) by operating activities	<u>1,191,766</u>	<u>(516,043)</u>
Cash flows from capital and related financing activities		
Purchase of construction in progress and equipment	(944,247)	(2,060,260)
Proceeds from the issuance of debt	212,882	2,287,118
Payment on notes payable	<u>(253,898)</u>	<u>(336,086)</u>
Net cash used by capital and related financing activities	<u>(985,263)</u>	<u>(109,228)</u>
Cash flows from investing activities		
Increase in funds held by fiscal agent	(252,017)	(237,494)
Purchase of investments	(2,069)	(1,627)
Proceeds from the sale of assets	-	69,426
Net cash used by investing activities	<u>(254,086)</u>	<u>(169,695)</u>
Net decrease in cash	(47,583)	(794,966)
Cash at beginning of year	<u>4,593,520</u>	<u>5,388,486</u>
Cash at end of year	<u>\$ 4,545,937</u>	<u>\$ 4,593,520</u>
Shown on accompanying Statements of Financial Position as		
Cash	\$ 4,545,937	\$ 4,252,695
Cash held for school facility construction	-	340,825
Total	<u>\$ 4,545,937</u>	<u>\$ 4,593,520</u>
Supplemental disclosure of cash flow information		
Cash paid for interest expense	<u>\$ 555,262</u>	<u>\$ 536,613</u>

The accompanying notes are an integral part of these statements

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

1. Summary of Significant Accounting Policies

The D'Arbonne Woods Charter School, Inc. (the School) was granted a Type 2 charter by the Louisiana Board of Elementary or Secondary Education (BESE) to provide educational services in Union Parish to students beginning with the 2009-2010 school year. The curriculum is designed to meet the unique needs of rural, at-risk students. The School serves eligible students in kindergarten through twelfth grade. At its March 9, 2012 meeting the Louisiana State Board of Elementary and Secondary Education approved a material amendment to the School's charter allowing an increase in total enrollment and to add grades nine through twelve beginning with grade nine in the fall of 2012, subject to certain conditions set by the State Superintendent of Education. The projected enrollment for the 2017 – 2018 school year was 965 students in grades K – 12. The School's Charter was renewed during the 2013 – 2014 fiscal year for a 10-year period. The School is governed by a seven member board of directors.

A. Financial Reporting

The School follows the guidance of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. 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. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

B. 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.

C. Revenues

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded through the State Public School Fund. The School receives funding per eligible student in attendance on October 1st, payable in monthly installments. Adjustments are normally made in the following year. State and Federal grants are generally on a cost reimbursement basis whereby revenues are recognized when related eligible expenses are incurred.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

D. Capital Assets

The School has adopted the practice of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$2,000 and the useful life exceeds one year. Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. Betterments that 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.

Depreciation of capital 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 capital assets of the School:

<u>Asset</u>	<u>Useful Life (in years)</u>
Buildings	40
Building Improvements	10-25
Land Improvements	30
Portable School Building	5
Furniture and Equipment	5-10
Computer Equipment	3
Buses	5-10
Software	5

E. Compensated Absences

The School grants all employees of the School a total of ten days of paid sick leave per year. Sick leave may be accumulated from year to year with no limit. Upon retirement or death, the School will pay to the employee or his/her estate for any unused sick leave not to exceed 25 days. Unused leave may be applied to years of service at retirement. In addition, all full-time personnel employed on a twelve month fiscal year basis are entitled to annual leave of ten to fifteen days per year, based upon years of consecutive service. Unused leave may be accumulated at a rate of five days per year with a maximum of twenty days. Upon retirement, death, termination, or resignation, the School will pay to the employee or his or her estate for all unused annual leave.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

F. 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.

Also, the School is subject to income tax examinations by the Internal Revenue Service and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The School is no longer subject to examination by tax authorities for years ended before June 30, 2015.

G. Investments and Investments Held With Fiscal Agent

The School's investments consist of certificates of deposit with maturities greater than three months. The certificates are reported at cost which approximates fair market value.

Investments held with fiscal agent are composed of United States Treasury Strips, Treasury Bills, and Treasury Securities – State and Local Government Series (SLGS) and are carried at fair value.

H. 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.

I. 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.

J. Concentrations

The School received 88% and 90% of its revenues in the years ended June 30, 2018 and 2017 respectively, from the State of Louisiana's Minimum Foundation Program, in accordance with its charter school contract with the State.

K. Reclassifications

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year presentation.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

2. Cash

The School's cash (bank balance) at June 30, 2018, was \$4,831,665 of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$4,581,665 was unsecured. The School has not experienced any losses due to unsecured cash balances and management does not believe the School is exposed to significant risk.

3. Investments

The School's investments consist of Certificates of Deposit and U. S. Treasury securities. The certificates of deposit were completely secured by FDIC. The School's investments at June 30, 2018 and June 30, 2017 were as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Certificates of Deposit	\$ 208,613	\$ 206,544
Funds held by fiscal agent		
Federated U.S. Cash Reserves	-	324
U.S. Treasury Strips	71,415	72,436
U.S. Treasury Bills	-	63,771
U.S. Treasury Strip Interest Payment Tint	67,820	69,261
Treasury Securities - State and Local		
Government Series - (SLGS)	<u>1,592,992</u>	<u>1,274,418</u>
Total funds held by fiscal agent	<u>1,732,227</u>	<u>1,480,210</u>
Total Investments	<u>\$ 1,940,840</u>	<u>\$ 1,686,754</u>

Investments held with fiscal agent are composed of United States Treasury Strips, Treasury Bills, and Treasury Securities – State and Local Government Series (SLGS) and are carried at fair value. ASC Section 820 establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the School has the ability to access;

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

- Level 2 Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The investments held by D'Arbonne Woods Charter School at June 30, 2018, are valued at quoted market prices and other relevant information generated by market transactions held by the School at that date, and are considered to be level 1 in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future value. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements within the fair value hierarchy.

For the years ended June 30, 2018 and 2017, the School's investments (including gains and losses on investments bought, sold, and held during the year) changed in value as follows:

	June 30,	
	2018	2017
Interest income	\$ 39,577	\$ 34,351
Change in market value	(2,455)	(7,125)
	<u>\$ 37,122</u>	<u>\$ 27,226</u>

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

4. Grants and Other Receivables

Grants receivable are as follows for the years ended June 30, 2018 and 2017:

Grant	2018	2017
Title I	\$ 293,143	\$ 142,740
Title I Migrant	19,326	22,350
Title II	20,523	-
Title IV	10,000	-
IDEA	123,594	65,614
Career & Technical Education	173,421	201,845
Total	<u>\$ 640,007</u>	<u>\$ 432,549</u>

The other receivables are comprised primarily of various refunds, commissions, and student lunch balances. The School expects to collect substantially all outstanding balances and, therefore, does not include an estimate for allowance for doubtful accounts.

5. School Activity Funds

School Activity Funds are monies collected through dues, fundraisers, admissions or other money generating activity by an organizational unit within the School. It also includes donations from outside sources when such donation is made for a specific or restricted purpose.

Any School Activity Funds collected for a specific purpose are considered temporarily restricted until such funds are spent.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets represent the school activities funds and any donations made for a specific or restricted purpose. As of June 30, 2018 and 2017, the entirety of the School's temporarily restricted net assets related to school activity funds.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

7. Capital Assets

Capital assets consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Depreciable Assets		
Buildings	\$ 20,291,454	\$ 19,803,118
Building improvements	57,055	44,305
Land improvements	30,810	30,810
Equipment	1,041,436	834,388
Vehicles	<u>237,573</u>	<u>237,573</u>
Total depreciable assets	21,658,328	20,950,194
Less: Accumulated depreciation	<u>(1,559,724)</u>	<u>(919,229)</u>
Net depreciable assets	<u>20,098,604</u>	<u>20,030,965</u>
Nondepreciable Assets		
Land	473,787	473,787
Construction in progress	<u>292,894</u>	<u>56,600</u>
Total nondepreciable assets	<u>766,681</u>	<u>530,387</u>
Total capital assets	<u>\$ 20,865,285</u>	<u>\$ 20,561,352</u>

Depreciation expense totaled \$640,495 and \$583,699 for the years ended June 30, 2018 and 2017, respectively.

All assets acquired with Louisiana Department of Education funds are owned by the School while used for 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.

8. Retirement Plan

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

Plan Description: TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit, or five years of service credit if the employee reaches age sixty, are 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. TRSL issues a publicly available financial report that includes financial statements and required supplementary information for TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 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 rates were 26.6% and 25.5%, respectively, of annual eligible covered payroll for the years ended June 30, 2018 and 2017. 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 were \$988,066 and \$949,705 for the years ended June 30, 2018 and 2017 respectively, which is equal to the required contribution.

9. Bonds Payable and Long-Term Debt

The School issued a \$5.1 million Qualified School Construction Bond (QSCB) dated December 21, 2010 bearing interest at 1.0% for the purpose of constructing a school facility. Interest is payable quarterly with the full principal amount due at maturity on December 15, 2029. In addition, the School is making quarterly deposits into an irrevocable trust reserved for future payment of the bond (the sinking fund). These funds are shown as funds held by fiscal agent on the Statements of Financial Position and had a balance of \$1,732,227 and \$1,480,210 at June 30, 2018 and 2017, respectively. The QSCB is secured by any of the unspent bond funds which were approximately \$0 and \$341,000 at June 30, 2018 and 2017, respectively, all funds held by the fiscal agent as noted above and any assets purchased with the bond proceeds. The approximate required balance in the sinking fund as prescribed in the QSCB bond indenture document, to be funded in contributions, net of interest, is as follows for the next five years: June 30, 2019, \$1,986,889; 2020, \$2,249,532; 2021 \$2,518,803; 2022, \$2,794,869; and 2023, \$3,077,902.

During the year ended June 30, 2014, the School obtained interim financing with a local financial institution in anticipation of obtaining permanent financing from the United States Department of Agriculture – Rural Development (USDA) for the purpose of building a new school campus. The balance of the loan was repaid in June 2016 with proceeds from the issuance of a permanent loan from the USDA. The total

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

amount of available USDA funding is \$18,000,000. The USDA loan is for the term of 40 years with payments beginning on July 13, 2016. The loan carries an interest rate of 2.875%. Future minimum payments on the USDA loan are as follows:

2019	\$ 259,193
2020	265,392
2021	274,475
2022	282,471
2023	290,700
Thereafter	<u>21,200,744</u>
	<u>\$22,572,975</u>

Changes in long-term debt were as follows for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Retirements	Balance at June 30, 2018
QSCB	\$ 5,100,000	\$ -	\$ -	\$ 5,100,000
USDA	17,513,991	212,882	(253,898)	17,472,975
Total	<u>\$ 22,613,991</u>	<u>\$ 212,882</u>	<u>\$ (253,898)</u>	<u>\$ 22,572,975</u>

Changes in long-term debt were as follows for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
Notes payable	\$ 62,960	\$ -	\$ (62,960)	\$ -
QSCB	5,100,000	-	-	5,100,000
USDA	15,500,000	2,287,118	(273,127)	17,513,991
Total	<u>\$ 20,662,960</u>	<u>\$ 2,287,118</u>	<u>\$ (336,087)</u>	<u>\$ 22,613,991</u>

The School incurred \$555,262 and \$536,613 in interest expenses for the years ended June 30, 2018 and 2017, respectively.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

10. Leases

The School leases a building, an athletic facility, and certain equipment under the terms of various operating leases. The School recognized rental expenses of \$30,090 and \$69,446, respectively, for the years ended June 30, 2018 and 2017.

11. Allocation of Expenses

Expenses were allocated between Program Services, Management and General, and Fundraising as follows for the year ended June 30, 2018:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>
Salaries and wages	\$ 3,594,940	\$ 186,249	\$ -
Employee benefits	1,438,265	74,521	-
Payroll taxes	77,873	3,851	-
Advertising and promotion	-	3,297	-
Books and periodicals	144,082	-	-
Depreciation and amortization	602,065	51,610	-
Food services	252,824	-	-
Information technology	144,106	4,000	-
Insurance	12,280	43,698	-
Interest	521,946	33,316	-
Legal and accounting	-	66,527	-
Materials and supplies	406,300	-	49,592
Miscellaneous	71,184	1,802	-
Occupancy	601,309	11,532	-
Office expenses	74,826	25,215	-
Professional fees	361,511	41,379	-
Student transportation	604,371	-	-
Training	2,422	-	-
Travel	74,316	8,398	-
Total	<u>\$ 8,984,620</u>	<u>\$ 555,395</u>	<u>\$ 49,592</u>

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

Expenses were allocated between Program Services, Management and General, and Fundraising as follows for the year ended June 30, 2017:

	Program Service	Management and General	Fundraising
Salaries and wages	\$ 3,565,381	\$ 191,541	\$ -
Employee benefits	1,369,727	75,420	-
Payroll taxes	74,142	3,904	-
Advertising and promotion	31	1,889	-
Books and periodicals	103,662	-	-
Depreciation and amortization	550,428	46,451	-
Food services	274,115	-	-
Information technology	22,668	-	-
Insurance	6,154	41,585	-
Interest	506,026	30,587	-
Legal and accounting	-	128,431	-
Materials and supplies	869,324	-	26,488
Miscellaneous	84,705	599	-
Occupancy	763,812	1,675	-
Office expenses	66,741	10,351	-
Professional fees	349,378	25,019	-
Student transportation	628,445	-	-
Training	1,485	-	-
Travel	30,635	8,014	-
Total	<u>\$ 9,266,859</u>	<u>\$ 565,466</u>	<u>\$ 26,488</u>

12. Commitments

In June 2018, the School contracted with a local company for the construction of a new football stadium in the amount of \$1,439,000. As of June 30, 2018, the School had not made any payments on the contract and remained committed to the full amount.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2018 and 2017

13. Uncertain Income Taxes

The School has adopted the provisions of FASB ASC 740 Accounting for Uncertainty in Income Taxes. The implementation of this topic had no impact on the statement of financial position or statement of activities.

14. Subsequent Events

Management has evaluated subsequent events through December 31, 2018, the date the financial statements were available to be issued, and determined that the following events occurred subsequent to the reporting period that are required to be disclosed.

In August 2018, the School entered into a contract for the purchase and installation of synthetic turf and track facilities at its football stadium. The total amount of the contract was \$1,057,000.

In September 2018, the School entered into a contract for the construction of a joint baseball and softball facility. The total amount of the contract was \$548,000.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' 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***

**Board of Directors
D'Arbonne Woods Charter School, Inc.
Farmerville, 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 **D'Arbonne Woods Charter School, Inc.** (a nonprofit organization, the School), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of the 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 have not been identified. Given these

limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

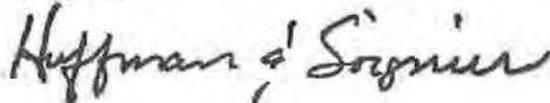
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

The School's Response to the Finding

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

December 21, 2018

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

Board of Directors
D'Arbonne Woods Charter School
Farmerville, Louisiana

Report on Compliance for Each Major Federal Program

We have audited D'Arbonne Woods Charter School, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The 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 the 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 the 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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, D'Arbonne Woods 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, 2018.

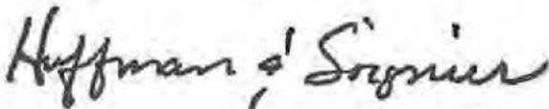
Report on Internal Control Over Compliance

Management of the 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 the 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 the School's internal control over compliance.

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 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.



(A Professional Accounting Corporation)

December 21, 2018

**D'ARBONNE WOODS CHARTER SCHOOL
FARMERVILLE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	C.F.D.A. NUMBER	PASS-THROUGH GRANTOR NO.	2018 PROGRAM EXPENDITURES
FEDERAL AWARDS			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Louisiana Department of Education			
School Breakfast Program	10.553A	N/A	\$ 44,505
National School Lunch Program	10.555A	N/A	148,383
Commodities	10.555	N/A	<u>10,392</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>203,280</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through Louisiana Department of Education			
Title I Grants to Local Educational Agencies			
Title I Part A Basic (2017-18)	84.010A	28-18-T1-m1	293,143
Title I Part C Migrant Education	84.011A	28-18-M1-m1	<u>19,326</u>
			<u>312,469</u>
Special Education–Grants to States			
IDEA Part B (2017-18)	84.027A	28-18-B1-m1	<u>107,760</u>
			<u>107,760</u>
Improving Teacher Quality			
Title II Part A (2017-18)	84.367A	28-18-50-m1	<u>20,523</u>
			20,523
Student Support and Academic Enrichment (SSAE)			
Title IVA	84.424A	28-18-71-m1	<u>10,000</u>
			10,000
Vocational Education–Basic Grants to States			
Carl D. Perkins Career & Technical 2016-17 Reallocation	84.048	28-18-02-m1	12,454
Carl D. Perkins Career & Technical Education (2017-18)			38,415
Passed through to subrecipients			<u>122,552</u>
			<u>173,421</u>
Special Education–Preschool Grants:			
Preschool (2017-18)	84.173A	28-18-P1-m1	<u>1,424</u>
			1,424
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>625,597</u>
TOTAL EXPENDITURES OF CASH FEDERAL AWARDS			<u>828,877</u>

LOANS

U. S. DEPARTMENT OF AGRICULTURE

Rural Development

Community Facilities Loans and Grants

10.780

194,072

TOTAL U.S. DEPARTMENT OF AGRICULTURE

194,072

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 1,022,949

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of D'Arbonne Woods Charter School, Inc. (the School) for the year ended June 30, 2018, and is presented on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenses when they are incurred.

Note 2 - Reconciliation of Expenditure of U.S. Department of Agriculture Funds

At June 30, 2018, the School had drawn down \$18,000,000 under the USDA Community Facilities Loans and Grants program. The entire amount is included in the Statements of Financial Position as follows:

Buildings	\$ 20,291,454
Building improvements	57,055
Land improvements	30,810
Construction in progress	292,894
Subtotal	<u>20,672,213</u>
Less amount paid from local funds	(2,211,231)
Less capitalized interest	(460,982)
Total USDA drawdown	<u>\$ 18,000,000</u>

Total USDA expenditures for the project are as follows:

Expenditures for the year ended June 30, 2018	\$ 194,072
Expenditures for the year ended June 30, 2017	1,415,028
Expenditures for the year ended June 30, 2016	8,214,628
Expenditures for the year ended June 30, 2015	8,176,272
Total expenditures	<u>\$ 18,000,000</u>

Note 3 - Indirect Cost Rate

The School did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2018.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements:

Type of Auditor’s Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant deficiency(s) identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified not considered to be material weakness(es)? Yes None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
10.553, 10.555	Child Nutrition Cluster
84.048	Carl Perkins - Secondary

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section II – Financial Statement Findings and Questioned Costs:

2018-001 Bid Law Compliance

Criteria

Louisiana Revised Statute 38:2212 requires D'Arbonne Woods Charter School (the School) to advertise for bids and let to the lowest responsible and responsive bidder for public works projects costing \$154,450 or more.

Condition

During the year ended June 30, 2018, the School began construction on a joint baseball and softball athletic facility without advertising or letting the project for bid. Total expenditures on the project for the year were \$180,368. In addition, the School also accepted bids for the construction of a new football stadium in the amount of \$1,439,000, but failed to include a description of the project in the advertisement.

Cause

The School initially planned to construct the baseball and softball facility using donated services. However, those services did not come to fruition and, in the process, the bid requirement was overlooked. Also, the School allowed its engineering contractor to handle the bid process on the football stadium, but failed to ensure that the proper description was included in the advertisement.

Effect

The School was not in compliance with the bid law for the baseball and softball facility and not within the spirit of the law in regards to the football stadium project.

Recommendation

We recommend that School personnel be mindful of the bid law requirements for all future projects.

Management's Corrective Action Plan

Prior to board approval and beginning any capital improvements projects or construction projects a review by the Business Manager, Operations Manager and Executive Director will be held. The review; which will determine the size and scope of the proposed project and what procurement method is required will be sent to the school's attorney for concurrence. Louisiana Public Bid law will be followed for all projects in the future.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville Louisiana

Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section III – Federal Awards Findings and Questioned Costs:

None reported.

D'ARBONNE WOODS CHARTER SCHOOL, INC.
Farmerville, LA

Status of Prior Year Management Letter Comment
For the Year Ended June 30, 2018

The following is a summary of the status of the prior year management letter reported included with the Huffman & Soignier (APAC) audit report dated December 29, 2017 covering the examination of the financial statements of the D'Arbonne Woods Charter School, Inc. (the School) as of and for the year ended June 30, 2017.

2017 – 001 Filing of quarterly budget reports

Comment: Louisiana Revised Statute 17:3996 requires the School to submit quarterly budgetary reports to the Louisiana Department of Education (LDOE). Those reports should present budgetary and actual results of operations in a comparable manner. For the School's budget reports submitted to the LDOE for 2016-17, budgetary amounts related to debt service payments associated with the School's United States Department of Agriculture loan were indicated on line 123, while actual payments were indicated on line 129. The School records its budgetary and actual financial information according to Louisiana Accounting and Uniform Governmental Handbook (LAUGH) guidelines. Those guidelines implement the use of object codes to separate various financial information. However, the School recorded its budgetary information in the General Fund while the actual payment was recorded in a debt service fund. The transfer of payments from the General Fund to the debt service fund was accounted for in a general ledger account that contains a different object code than the related budgetary amount. Although all information was present, the line items were not comparable.

Recommendation: We recommended that School personnel review each line item on the quarterly budgetary report to ensure that budgetary and actual financial information match up according to object code.

Status: The School's quarterly budgetary reports for the subsequent fiscal year were prepared in a way that matched financial information by object code. As such, this matter has been resolved.

D'ARBONNE WOODS CHARTER SCHOOL
Farmerville, Louisiana
Schedule of Compensation, Benefits, and
Other Payments to the Executive Director
For the Year Ended June 30, 2018

Executive Director: Heath Murry

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 85,857
Benefits - Retirement	6,869
Benefits - Insurance	7,977
Benefits - Medicare	1,133
Reimbursements	714
Travel - Conferences	172

OTHER INFORMATION

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES
(ASSERTIONS COVERING PERFORMANCE AND STATISTICAL DATA)
FOR THE YEAR ENDED JUNE 30, 2018**

**Board of Directors
D'Arbonne Woods Charter School, Inc.
Farmerville, Louisiana**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of D'Arbonne Woods Charter School (the 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 the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Management of the School is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. 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 sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues were classified correctly and are reported in the proper amounts among 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,

**D'Arbonne Woods Charter School
Farmerville, Louisiana**

- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Class Size Characteristics (Schedule 2 – Formerly Schedule 6)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1st roll books for those classes and observed that the class was properly classified on the schedule. However, we did note that one class not included in the sample, but listed on the schedule as having more students that is allowed by state law, was not properly classified on the schedule.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was property classified on the PEP data or equivalent listing prepared by management.

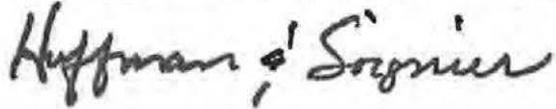
Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing is complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and compared each individual's salary, extra compensation, and full-time equivalents to the PEP data (or equivalent listing prepared by management). Of the 25 individuals selected, 6 individuals' compensation did not match the PEP data.

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.

**D'Arbonne Woods Charter School
Farmerville, Louisiana**

This report is intended solely for the use of management of D'Arbonne Woods 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.

A handwritten signature in black ink, reading "Huffman & Soignier". The signature is written in a cursive, flowing style.

(A Professional Accounting Corporation)

December 21, 2018

D'ARBONNE WOODS CHARTER SCHOOL
Farmerville, Louisiana

Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2018

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 (Formerly 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 Financial and Statistical Report (AFSR).

D'ARBONNE WOODS CHARTER SCHOOL
Farmerville, Louisiana

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2018**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 2,563,942	
Other Instructional Staff Activities	347,407	
Instructional Staff Employee Benefits	1,218,874	
Purchased Professional and Technical Services	38,584	
Instructional Materials and Supplies	256,183	
Instructional Equipment	13,529	
Total Teacher and Student Interaction Activities		\$ 4,438,519
Other Instructional Activities		29,919
Pupil Support Activities	156,186	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		156,186
Instructional Staff Services	389,256	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		389,256
School Administration		
Less: Equipment for School Administration	218,611	
Net School Administration	(7,690)	210,921
Total General Fund Instructional Expenditures (Total of Column B)		\$ 5,224,801
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$ 13,529
<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		\$ -
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		\$ -
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		\$ -
Nonpublic Textbook Revenue		\$ -
Nonpublic Transportation Revenue		\$ -

D'ARBONNE WOODS CHARTER SCHOOL
Farmerville, Louisiana

Class Size Characteristics
As of October 1, 2018

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	36.7%	91	39.9%	99	23.0%	57	0.4%	1
Combination Activity Classes	60.6%	20	12.1%	4	24.2%	8	3.0%	1

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.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
(STATEWIDE PROCEDURES ON CONTROL AND COMPLIANCE AREAS)**

To the Board of Directors of D'Arbonne Woods Charter School, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by D'Arbonne Woods Charter School, Inc. (the School) 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, 2017 through June 30, 2018. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Bank Reconciliations

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

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We obtained a list of deposit sites noting that the Finance Office was the only site listed.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
No employees share cash drawers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
Employees responsible for collecting cash are not responsible for preparing or making deposits.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for collecting cash are not responsible for posting collection entries to the general or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

One individual responsible for collecting cash was also responsible for depositing the cash in the bank; however, another employee verifies the receipt when it comes in and reconciles receipts to deposits.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees who have access to cash are covered for theft by an insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted in the application of these procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written

documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Per diem rates were paid in accordance with rates established by the State of Louisiana which varied slightly from GSA rates. No exceptions were noted in the application of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions were noted in the application of this procedure.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that 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.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions were noted in the application of these procedures.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions were noted in the application of this procedure.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management has made the proper representations and no exceptions have been noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

Other

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

There were no exceptions noted in the prior year. Therefore, these procedures were not deemed to be necessary in the current year.

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.

(A Professional Accounting Corporation)

December 21, 2018