

Southwest Louisiana Charter Academy
Foundation, Inc.

Combined Financial Statements
For the Year Ended June 30, 2017

Southwest Louisiana Charter Academy Foundation, Inc.

Table of Contents

Independent Auditor's Report	1-2
Financial Statements	
Combined Statement of Financial Position (Deficit)	3
Combined Statement of Activities	4
Combined Statement of Cash Flows	5
Notes to Combined Financial Statements	6-13
Combining Individual Fund Financial Statements	
Combining Statement of Financial Position (Deficit)	14
Combining Statement of Activities	15
Combining Statement of Cash Flows	16
Supplemental Information	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Schedule of Board of Directors	19
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	20
Internal Controls and Compliance	
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 <i>Government Auditing Standards</i>	21-22
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control over Compliance Required by the Uniform Guidance	23-24
Schedule of Findings and Questioned Costs	25-26
Schedules Required by State Law (LA R.S. 24:524 - Performance and Statistical Data)	
Independent Accountant's Report on Applying Agreed-Upon Procedures	27-29

Southwest Louisiana Charter Academy Foundation, Inc.

**Table of Contents
(continued)**

Schedules:

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenues Sources	30-31
Schedule 2 - Education Levels of Public School Staff	32
Schedule 3 - Number and Type of Public Schools	33
Schedule 4 - Experience of Public Principals, Assistant Principals and Full-Time Classroom Teachers	34
Schedule 5 - Public School Staff Data: Average Salaries	35
Schedule 6 - Class Size Characteristics	36
Schedule 7 - Louisiana Educational Assessment Program (LEAP)	37-38
Schedule 8 - Graduation Exit Examination (GEE)	39
Schedule 9 - iLEAP Tests	40-41

Louisiana Legislative Auditor Statewide Agreed-Upon Procedures

Independent Accountant's Report on Applying Agreed-Upon Procedures	42-49
Response to Louisiana Legislative Auditor Statewide Agreed-Upon Procedures Comments	50

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have audited the accompanying combined financial statements of Southwest Louisiana Charter Academy Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Charter Academy Foundation, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements on pages 14 through 16 and the Schedule of Board of Directors and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the combined financial statements. 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 also 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

The Performance and Statistical Data, included as Schedules 1 through 9 and the Louisiana Legislative Auditor Statewide Agreed-Upon Procedures on pages 42 through 50, are not a required part of the combined 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 combined financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Reports 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 December 29, 2017, on our consideration of the Foundation'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 the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 29, 2017

FINANCIAL STATEMENTS

Southwest Louisiana Charter Academy Foundation, Inc.
 Combined Statement of Financial Position (Deficit)
 June 30, 2017

Current Assets:	
Cash and cash equivalents	\$ 1,363,013
Custodial funds - cash	60,973
Grants receivable	355,314
Due from management company	80,742
Other receivables	74,320
Prepaid items	70,625
	<u>2,004,987</u>
Total current assets	<u>2,004,987</u>
Property and Equipment, less accumulated depreciation of \$ 2,944,505	<u>15,218,936</u>
Other Assets:	
Restricted cash equivalents	2,199,591
Deposits	16,209
	<u>2,215,800</u>
Total other assets	<u>2,215,800</u>
Total assets	<u>\$ 19,439,723</u>
Current Liabilities:	
Accounts payable and accrued expenses	\$ 179,490
Salaries and wages payable	453,921
Accrued interest payable	57,235
Due to related party	32,472
Due to management company	547,909
Custodial funds	60,973
Compensated absences	39,346
Notes payable	149,146
Bonds payable	200,000
Deferred revenue	20,648
	<u>1,741,140</u>
Total current liabilities	<u>1,741,140</u>
Noncurrent Liabilities:	
Due to related party	1,045,950
Compensated absences	13,115
Notes payable	2,363,826
Bonds payable, net of unamortized discount and bond issuance cost	16,474,275
	<u>19,897,166</u>
Total noncurrent liabilities	<u>19,897,166</u>
Total liabilities	<u>21,638,306</u>
Commitments (Note 9)	-
Net Assets (Deficit) - Unrestricted	<u>(2,198,583)</u>
Total liabilities and net assets	<u>\$ 19,439,723</u>

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

Southwest Louisiana Charter Academy Foundation, Inc.
 Combined Statement of Activities
 For the Year Ended June 30, 2017

Support and Revenues:

Support:

Contributions	\$ 98,906
Grants:	
Federal	1,309,898
State	25,368
Minimum Foundation Program	<u>11,056,950</u>
Total support	<u>12,491,122</u>

Revenues:

Food services	536
Before and aftercare fees	12,499
Other revenue	95,657
Interest income	<u>3,427</u>
Total revenues	<u>112,119</u>

Total support and revenues	<u>12,603,241</u>
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Expenses:

Instruction	5,806,403
Support services:	
Pupil personnel services	553,576
Instruction related technology	178,616
Instructional staff training services	186,471
School Board	51,762
School administration	1,011,557
Fiscal services	2,114,247
Food services	441,229
Central services	31,085
Transportation	386,716
Operation of plant	1,610,660
Community services	48,987
Interest and amortization expense	<u>1,552,300</u>
Total expenses	<u>13,973,609</u>

Change in net assets	(1,370,368)
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Net Assets (Deficit), beginning of year	<u>(828,215)</u>
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Net Assets (Deficit), end of year	<u>\$ (2,198,583)</u>
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The accompanying notes to combined financial statements are an integral part of these statements.

Southwest Louisiana Charter Academy Foundation, Inc.
Combined Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows from Operating Activities:	
Change in net assets	\$ (1,370,368)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Provision for depreciation	955,834
Provision for amortization of bond costs	17,298
Provision for amortization of bond discount	6,125
(Increase) Decrease in:	
Grants receivable	(159,468)
Due from management company	(267,024)
Other receivables	(66,323)
Prepaid items	(52,512)
Deposits	(7,583)
Increase (Decrease) in:	
Accounts payable and accrued expenses	(524,216)
Salaries and wages payable	(9,653)
Accrued interest payable	(1,466)
Due to management company	556,128
Due to related party	101,888
Custodial funds	(12,525)
Compensated absences	18,161
Deferred revenue	(78,906)
	<u>(894,610)</u>
Net cash used in operating activities	<u>(894,610)</u>
Cash Flows from Investing Activities:	
Payments for purchase of property and equipment	<u>(656,017)</u>
Net cash used in investing activities	<u>(656,017)</u>
Cash Flows from Financing Activities:	
Payments on bonds and notes payable	<u>(327,240)</u>
Net cash used in financing activities	<u>(327,240)</u>
Decrease in cash and cash equivalents, custodial funds and restricted cash equivalents	(1,877,867)
Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, beginning of year, as restated	<u>5,501,444</u>
Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, end of year	<u>\$ 3,623,577</u>
Cash and cash equivalents	\$ 1,363,013
Custodial funds - cash	60,973
Restricted cash equivalents	<u>2,199,591</u>
	<u>\$ 3,623,577</u>

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

Note 1 - Organization and Operations

Organization: Southwest Louisiana Charter Academy Foundation, Inc. (the "Foundation"), a Louisiana not-for-profit corporation, was formed on April 19, 2012 exclusively for educational purposes and is comprised of respected leaders in the Lake Charles community that are committed to providing high quality educational options for the citizens of the Calcasieu Parish. Southwest Louisiana Charter Academy, a Department of the Foundation, was established as a charter school in July 2012 for students from kindergarten to eighth grade in the Louisiana Parish of Calcasieu. Lake Charles College Prep, a Department of the Foundation, was established as a charter school in July 2014 for students from ninth to twelfth grade in the Louisiana Parish of Calcasieu. For the 2017 school year, students in the ninth, tenth, and eleventh grade were served with the twelfth grade to be added in the subsequent year.

Nature of activities: Southwest Louisiana Charter Academy was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2012 to operate a Type 2 public charter school. The current charter is in effect until June 2022. The charter may be renewed at the discretion of BESE.

Lake Charles College Prep was granted a charter by the Louisiana Board of Elementary and Secondary Education ("BESE") in 2014 to operate a Type 2 public charter school. The current charter is in effect until June 2018 and may be extended for a maximum initial term of five years. Upon the completion of the charter school's fifth year of operations, the charter may be renewed at the discretion of BESE.

The Foundation seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulation and BESE policy.

The mission of the Foundation is to become a powerful platform of change through the creation of a network of high-performing charter schools that will target traditionally underserved students and ensure that every student realizes their academic and personal potential. The goal is to ensure that each student realizes their potential to become a self-motivated life-long learner, a responsible citizen, and a productive member of the global 21st century workforce, by ensuring that each graduating student is prepared to enter, compete, and succeed in secondary and post-secondary educational opportunities and careers of choice.

The Foundation will implement its mission through creating a learning environment of student safety and success that incorporates individualized, research-based instruction, integrated character education, project-based learning opportunities, and community engagement.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958, the reporting organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

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 Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenue recognition: Revenues from governmental grants are recognized when allowable expenditures are made by the Foundation. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Foundation reports no temporarily restricted or permanently restricted net assets as of June 30, 2017.

Minimum Foundation Program (MFP): The Schools, as Type 2 charter schools, received funding from BESE in an amount for pupils based on estimated daily attendance at school. The amount of funding received is adjusted during the school year based on October 1st and February 1st student counts and the result of any audits performed.

Cash and cash equivalents: The Foundation considers all highly liquid or short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation routinely maintains cash balances at financial institutions which exceed federally insured amounts. The Foundation has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

Restricted cash and cash equivalents: At June 30, 2017, restricted cash equivalents include escrow balances restricted for debt service (Note 6) and other activities as follows:

Series 2013 Debt Service Reserve Fund	\$	1,594,678
Series 2013 Revenue Fund		<u>604,913</u>
Total restricted cash equivalents	\$	<u><u>2,199,591</u></u>

Property and equipment: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements, and other major renewals that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related assets. Other costs incurred for repairs and maintenance are charged to expense as incurred. Interest expense is capitalized during the time a project is under construction and begins upon the issuance of bonds to finance the construction of a capital asset.

Note 2 - Summary of Significant Accounting Policies (continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	45 years
Furniture and equipment	5 years
Computer equipment and software	3 years
Improvements other than building	10 years

Prepaid items: Certain payments reflect costs applicable to services for a future accounting period and are recorded as prepaid expenses in the accompanying financial statements.

Compensated absences: The Foundation’s policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Bond issuance costs and provision for amortization: The Foundation incurred certain costs in connection with the issuance of its bonds. These costs have been capitalized for financial reporting purposes and are amortized over the term of the bonds on a straight-line basis. In accordance with the guidance of Financial Accounting Standards Board in its Accounting Standards Update 2015-03, *Interest-Imputation of Interest*, the Organization has presented its bond issuance costs in the statement of financial position as a direct deduction from the bonds payable.

Total provision for amortization was \$ 17,298 for the year ended June 30, 2017.

Deferred revenue: Deferred revenue is recorded in connection with resources that have been received, but not yet earned.

Functional allocation of expenses: The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

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

Date of management’s review: Subsequent events have been evaluated through December 29, 2017, which is the date the financial statements were available to be issued.

Note 3 - Grants Receivable

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

Receivables	Amount
Title I	\$ 227,388
Title II	7,267
IDEA	87,272
National School Lunch Program	32,928
Education Excellence Fund	459
	\$ 355,314

Note 4 - Property and Equipment

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

Land	\$ 1,792,554
Construction in progress	25,161
Building	13,032,731
Furniture, fixtures and equipment	1,364,195
Computer equipment and software	1,655,254
Improvements other than building	<u>293,546</u>
Less: accumulated depreciation	<u>(2,944,505)</u>
Property and equipment, net	<u>\$ 15,218,936</u>

Depreciation expense for the year ended June 30, 2017 totaled \$ 955,834.

If certain governmental funding is used to acquire tangible property assets, the BESE has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the BESE.

Note 5 - Due to Related Party

The Foundation and Lake Charles Charter Academy Foundation, Inc. ("LCCAF") are related, as they share common board membership. As of June 30, 2017, the financial statements include an amount due to LCCAF in the amount of \$ 1,078,422.

Note 6 - Bonds Payable

a. Summary of Bonds Payable

Bonds payable at June 30, 2017 is comprised of the following bond issue:

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013; due in semi-annual installments beginning December 2016 through December 2043; interest payable semiannually at rates that range from 6.625% to 8.375%.	\$ 17,295,000
Less unamortized bond discount	(168,326)
Less unamortized bond issuance costs	<u>(458,399)</u>
	<u>\$ 16,674,275</u>

Southwest Louisiana Charter Academy Foundation, Inc.
Notes to Combined Financial Statements
June 30, 2017

Note 6 - Bonds Payable (continued)

The following is a summary of changes in bonds payable for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Tax-Exempt Educational Facilities Revenue Bonds, Series 2013	\$ 17,480,000	\$ -	\$ 185,000	\$ 17,295,000	\$ 200,000
Discount on Series 2013 Bonds	(168,451)	-	6,125	(162,326)	-
Bond issuance costs	(475,697)	-	17,298	(458,399)	-
	<u>\$ 16,835,852</u>	<u>\$ -</u>	<u>\$ 208,423</u>	<u>\$ 16,674,275</u>	<u>\$ 200,000</u>

b. Summary of Significant Bond Terms

\$ 17,480,000 Tax-Exempt Educational Facilities Revenue Bonds, Series 2013 - Series 2013 tax-exempt bonds are for the purpose of (i) financing the acquisition, construction and equipping of Southwest Louisiana Charter Academy facilities, (ii) paying capitalized interest, (iii) funding a reserve fund, and (iv) paying a portion of the costs of issuance of the Series 2013 bonds. The bonds are payable in semi-annual principal installments beginning December 2016 through December 2043. Interest ranging from 6.625% to 8.375% is payable semiannually on the fifteenth day of June and December.

The bonds are subject to mandatory redemption at a redemption price equal to the principal amount plus accrued interest to the redemption date subject to certain events as outlined in the bond indenture. The bonds are not subject to a premium at optional redemption after December 15, 2023.

The annual debt service requirement for the Series 2013 Educational Facilities Revenue Bonds consists of:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 200,000	\$ 1,393,219	\$ 1,593,219
2019	215,000	1,379,803	1,594,803
2020	225,000	1,365,394	1,590,394
2021	240,000	1,350,156	1,590,156
2022	255,000	1,334,091	1,589,091
2023-2027	1,590,000	6,368,381	7,958,381
2028-2032	2,320,000	5,639,906	7,959,906
2033-2037	3,455,000	4,504,172	7,959,172
2038-2042	5,185,000	2,777,128	7,962,128
2043-2044	3,610,000	371,431	3,981,431
	<u>\$ 17,295,000</u>	<u>\$ 26,483,681</u>	<u>\$ 43,778,681</u>

Note 6 - Bonds Payable (continued)

The trust indenture requires reserve funds equal to \$ 1,594,678 for the Series 2013 bonds. As of June 30, 2017, the reserve fund account balance was sufficient to satisfy this requirement. The trust indenture also contains a financial covenant which requires Southwest Louisiana Charter Academy ("SWLCA") to maintain a long-term debt service coverage ratio of 1.25 to 1.00. SWCLA did not meet this financial covenant because the long-term debt service coverage ratio for the year ended June 30, 2017 is as follows:

<u>Covenant</u>	<u>Requirement</u>	<u>Calculated</u>
Long-term debt service coverage ratio	At least 1.25	0.33

In order to secure the payment in full of the bonds and to secure the performance by the Foundation to all covenants, the Foundation grants the Louisiana Public Facilities Authority (the "Authority") a security interest in substantially all their property and equipment. The Foundation also pledges to the Authority a security interest in all revenues, as well as the right, title and interest in the escrow accounts.

Note 7 - Notes Payable

The Foundation signed a 4.75% note payable (Loan 1) dated July 31, 2014 for the purchase of a facility for Lake Charles College Prep ("LCCP"). The note is with a financial institution and carries monthly principal and interest payments of \$ 17,068 through June 2019. Beginning in July 2019, there will be a rate adjustment which will occur every five years until July 2034. The rate adjustment will be tied to the then existing Wall Street Journal PRIME plus 1.75%. The Foundation signed a second 4.75% note payable (Loan 2) with Project Build a Future, Inc. for the purchase of the facility. The note has monthly principal and interest payments of \$ 5,042 through July 2019.

Balance as of June 30, 2017:	
Loan 1	\$ 2,393,194
Loan 2	119,778
Less current portion	<u>(149,146)</u>
Long-term portion	<u>\$ 2,363,826</u>

Loan 1 includes an acknowledgment that the financial institution is relying on the financial strength of Southwest Louisiana Charter Academy and Lake Charles Charter Academy to provide the support to cover any expected or unexpected losses associated with Foundation loan. This is not to say that they guarantee the debt of the Foundation but rather will acknowledge their commitment to cover the shortfalls projected.

The above-described notes payable are collateralized by the building in which the school operates.

Note 7 - Notes Payable (continued)

The scheduled maturities of the notes payable based on interest rates in effect as of June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	149,160
2019	156,402
2020	107,427
2021	107,376
2022	112,589
2023-2027	650,441
2028-2032	824,421
2033-2034	405,156
	<u>\$ 2,512,972</u>

Interest expense related to notes payable totaled \$ 123,071 for the year ended June 30, 2017.

Note 8 - Income Taxes

Southwest Louisiana Charter Academy Foundation, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

Note 9 - Commitments

Management agreement: The Foundation has formal agreements with Charter Schools USA at Southwest Louisiana, LLC and Charter Schools USA at Lake Charles Charter High School, LLC ("CSUSA") to manage, staff, and operate the Schools. For Southwest Louisiana Charter Academy, the fee ranges from \$ 1,422,391 for 2018 to \$ 1,911,575 for 2028 if the School obtains a letter grade of "B" or above and at lessor amounts for grades below "B" as defined in the agreement. For Lake Charles College Prep ("LCCP"), CSUSA shall be entitled to cost reimbursements and management fees (the "fee") for its services rendered pursuant to the agreement up to 15% of revenues if LCCP obtains a letter grade of "B" or above and at lessor amounts for grades below "B" as defined in the agreement. However, per the loan agreement for the LCCP facility (Note 7), the fee shall be deferred until LCCP reaches a minimum debt service coverage ratio of 1.25. The agreements have initial terms which coincide with their charters. The agreements will renew to coincide with the charter renewals unless terminated by either party.

For the year ended June 30, 2017, the amount of fees received by CSUSA from Southwest Louisiana Charter Academy was \$ 1,395,181 which represents fees for operating the School.

Note 9 - Commitments (continued)

As shown below, Lake Charles College Prep reached the minimum debt service coverage ratio needed to pay the fee to CSUSA. For the year ended June 30, 2017, the amount of fees charged by CSUSA was \$ 705,727, which represents fees for operating the school per the management agreement.

<u>Covenant</u>	<u>Fee activated at</u>	<u>Calculated</u>
Long-term debt service coverage ratio	1.25	2.30

Also at June 30, 2017, the Foundation had an amount due from the management company for \$ 80,742, and an amount due to the management company for \$ 547,909.

Post-retirement benefits: The Schools do not provide post-retirement benefits to retired employees.

Note 10 - Employee Benefit Plan

During the year ended June 30, 2017, the Foundation offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of their annual gross compensation, subject to certain limitations. The Schools contributed a matching amount of \$ 7,291 for the year ended June 30, 2017.

Note 11 - Net Assets (Deficit)

The Foundation ended the year with a net asset (deficit) of \$ (2,198,583). Included in this deficit is accumulated depreciation of \$ 2,944,505. The Foundation ended the year with cash and cash equivalents of \$ 1,363,013. Currently, the Foundation does not have any plans to restructure debt, dispose of assets, or obtain additional funding sources. It may however, upon approval of their management company, delay payments to the management company should SWLCA or LCCP have cash needs. SWLCA also has \$ 600,000 held by their trustee which is to be used for their debt service payments. This will help SWLCA's cash position in the current school year. The Foundation continues to focus on academic achievement as well as plans to increase enrollment which have included the addition of a Pre-K at SWLCA which was implemented in the current school year.

Note 12 - Supplemental Cash Flow Information

Supplemental Disclosure of Cash Flow Information

	<u>2017</u>
Cash received during the year for - Interest income	\$ 3,427
Cash paid during the year for - Interest expense	\$ 1,528,877

COMBINING INDIVIDUAL FUND
FINANCIAL STATEMENTS

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Financial Position (Deficit)
June 30, 2017

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Current Assets:					
Cash and cash equivalents	\$ 518,477	\$ 835,583	\$ 8,953	\$ -	\$ 1,363,013
Custodial funds - cash	40,738	20,235	-	-	60,973
Grants receivable	220,000	135,314	-	-	355,314
Due from related party	28,164	-	-	(28,164)	-
Due from management company	80,742	-	-	-	80,742
Other receivables	52,472	21,848	-	-	74,320
Prepaid items	61,232	9,393	-	-	70,625
Total current assets	<u>1,001,825</u>	<u>1,022,373</u>	<u>8,953</u>	<u>(28,164)</u>	<u>2,004,987</u>
Property and Equipment, less accumulated depreciation	<u>12,030,620</u>	<u>536,455</u>	<u>2,651,861</u>	<u>-</u>	<u>15,218,936</u>
Other Assets:					
Restricted cash equivalents	2,199,591	-	-	-	2,199,591
Deposits	8,626	7,583	-	-	16,209
Total other assets	<u>2,208,217</u>	<u>7,583</u>	<u>-</u>	<u>-</u>	<u>2,215,800</u>
Total assets	<u>\$ 15,240,662</u>	<u>\$ 1,566,411</u>	<u>\$ 2,660,814</u>	<u>\$ (28,164)</u>	<u>\$ 19,439,723</u>
Current Liabilities:					
Accounts payable and accrued expenses	\$ 84,503	\$ 94,987	\$ -	\$ -	\$ 179,490
Salaries and wages payable	298,612	155,309	-	-	453,921
Accrued interest payable	57,235	-	-	-	57,235
Due to management company	-	547,909	-	-	547,909
Due to related party	30,572	11,322	18,742	(28,164)	32,472
Custodial funds	40,738	20,235	-	-	60,973
Compensated absences	26,983	12,363	-	-	39,346
Notes payable	-	-	149,146	-	149,146
Bonds payable	200,000	-	-	-	200,000
Deferred revenue	-	20,648	-	-	20,648
Total current liabilities	<u>738,643</u>	<u>862,773</u>	<u>167,888</u>	<u>(28,164)</u>	<u>1,741,140</u>
Noncurrent Liabilities:					
Due to related party	-	1,045,950	-	-	1,045,950
Compensated absences	8,994	4,121	-	-	13,115
Notes payable	-	-	2,363,826	-	2,363,826
Bonds payable, net of unamortized discount and bond issuance costs	16,474,275	-	-	-	16,474,275
Total noncurrent liabilities	<u>16,483,269</u>	<u>1,050,071</u>	<u>2,363,826</u>	<u>-</u>	<u>19,897,166</u>
Total liabilities	<u>17,221,912</u>	<u>1,912,844</u>	<u>2,531,714</u>	<u>(28,164)</u>	<u>21,638,306</u>
Net Assets (Deficit) - Unrestricted	<u>(1,981,250)</u>	<u>(346,433)</u>	<u>129,100</u>	<u>-</u>	<u>(2,198,583)</u>
Total liabilities and net assets	<u>\$ 15,240,662</u>	<u>\$ 1,566,411</u>	<u>\$ 2,660,814</u>	<u>\$ (28,164)</u>	<u>\$ 19,439,723</u>

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Activities
For the Year Ended June 30, 2017

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Support and Revenues:					
Support:					
Contributions	\$ 3,900	\$ 88,906	\$ 6,100	\$ -	\$ 98,906
Grants:					
Federal	938,297	371,601	-	-	1,309,898
State	20,578	4,790	-	-	25,368
Minimum Foundation Program	<u>6,812,127</u>	<u>4,244,823</u>	<u>-</u>	<u>-</u>	<u>11,056,950</u>
Total support	<u>7,774,902</u>	<u>4,710,120</u>	<u>6,100</u>	<u>-</u>	<u>12,491,122</u>
Revenues:					
Food services	507	29	-	-	536
Before and aftercare fees	12,499	-	-	-	12,499
Other revenue	72,050	23,607	265,312	(265,312)	95,657
Interest income	<u>3,415</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>3,427</u>
Total revenues	<u>88,471</u>	<u>23,636</u>	<u>265,324</u>	<u>(265,312)</u>	<u>112,119</u>
Total support and revenues	<u>7,863,373</u>	<u>4,733,756</u>	<u>271,424</u>	<u>(265,312)</u>	<u>12,603,241</u>
Expenses:					
Instruction	3,808,690	1,997,713	-	-	5,806,403
Support services:					
Pupil personnel services	361,288	192,288	-	-	553,576
Instruction related technology	112,493	66,123	-	-	178,616
Instructional staff training services	118,154	68,317	-	-	186,471
School Board	31,375	14,513	5,874	-	51,762
School administration	562,439	445,564	3,554	-	1,011,557
Fiscal services	1,403,049	711,198	-	-	2,114,247
Food services	286,172	155,057	-	-	441,229
Central services	18,175	12,910	-	-	31,085
Transportation	328,723	57,993	-	-	386,716
Operation of plant	971,203	855,061	49,708	(265,312)	1,610,660
Community services	42,024	2,715	4,248	-	48,987
Interest and amortization expense	<u>1,429,229</u>	<u>-</u>	<u>123,071</u>	<u>-</u>	<u>1,552,300</u>
Total expenses	<u>9,473,014</u>	<u>4,579,452</u>	<u>186,455</u>	<u>(265,312)</u>	<u>13,973,609</u>
Change in net assets	(1,609,641)	154,304	84,969	-	(1,370,368)
Net Assets (Deficit), beginning of year	<u>(371,609)</u>	<u>(500,737)</u>	<u>44,131</u>	<u>-</u>	<u>(828,215)</u>
Net Assets (Deficit), end of year	<u>\$ (1,981,250)</u>	<u>\$ (346,433)</u>	<u>\$ 129,100</u>	<u>\$ -</u>	<u>\$ (2,198,583)</u>

Southwest Louisiana Charter Academy Foundation, Inc.
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Southwest Louisiana Charter Academy</u>	<u>Lake Charles College Prep</u>	<u>Southwest Louisiana Charter Academy Foundation</u>	<u>Eliminations</u>	<u>Combining Total</u>
Cash Flows from Operating Activities:					
Change in net assets	\$ (1,609,641)	\$ 154,304	\$ 84,969	\$ -	\$ (1,370,368)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Provision for depreciation	715,509	190,617	49,708	-	955,834
Provision for amortization of bond costs	17,298	-	-	-	17,298
Provision for amortization of bond discount	6,125	-	-	-	6,125
(Increase) Decrease in:					
Grants receivable	(93,388)	(66,080)	-	-	(159,468)
Due from related party	(11,322)	18,587	-	(7,265)	-
Due from management company	(267,024)	-	-	-	(267,024)
Other receivables	(44,475)	(21,848)	-	-	(66,323)
Prepaid items	(55,945)	3,433	-	-	(52,512)
Deposits	-	(7,583)	-	-	(7,583)
Increase (Decrease) in:					
Accounts payable and accrued expenses	(544,484)	20,268	-	-	(524,216)
Salaries and wages payable	(27,463)	17,810	-	-	(9,653)
Accrued interest payable	(1,466)	-	-	-	(1,466)
Due to management company	-	556,128	-	-	556,128
Due to related party	(33,485)	128,108	-	7,265	101,888
Custodial funds	(21,569)	9,044	-	-	(12,525)
Compensated absences	15,147	3,014	-	-	18,161
Deferred revenue	-	(78,906)	-	-	(78,906)
	<u>(1,956,183)</u>	<u>926,896</u>	<u>134,677</u>	<u>-</u>	<u>(894,610)</u>
Net cash provided by (used in) operating activities					
Cash Flows from Investing Activities:					
Payments for purchase of property and equipment	(318,230)	(337,787)	-	-	(656,017)
Net cash used in investing activities	<u>(318,230)</u>	<u>(337,787)</u>	<u>-</u>	<u>-</u>	<u>(656,017)</u>
Cash Flows from Financing Activities:					
Payments on bonds and notes payable	(185,000)	-	(142,240)	-	(327,240)
Net cash used in financing activities	<u>(185,000)</u>	<u>-</u>	<u>(142,240)</u>	<u>-</u>	<u>(327,240)</u>
Increase (decrease) in cash and cash equivalents, custodial funds and restricted cash equivalents	(2,459,413)	589,109	(7,563)	-	(1,877,867)
Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, beginning of year, as restated	<u>5,218,219</u>	<u>266,709</u>	<u>16,516</u>	<u>-</u>	<u>5,501,444</u>
Cash and Cash Equivalents, Custodial Funds and Restricted Cash Equivalents, beginning of year, as restated	<u>\$ 2,758,806</u>	<u>\$ 855,818</u>	<u>\$ 8,953</u>	<u>\$ -</u>	<u>\$ 3,623,577</u>
Cash and cash equivalents	\$ 518,477	\$ 835,583	\$ 8,953	\$ -	\$ 1,363,013
Custodial funds - cash	40,738	20,235	-	-	60,973
Restricted cash equivalents	<u>2,199,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,591</u>
	<u>\$ 2,758,806</u>	<u>\$ 855,818</u>	<u>\$ 8,953</u>	<u>\$ -</u>	<u>\$ 3,623,577</u>

SUPPLEMENTAL INFORMATION

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Agency/Federal Program</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Federal Agency Name:				
Indirect Programs:				
U.S. Department of Agriculture -				
Passed through Louisiana Department of				
Agriculture -				
National School Lunch Program	10.555	-	\$ 344,075	\$ -
School Breakfast Program	10.553	-	<u>46,952</u>	<u>-</u>
Total U.S. Department of Agriculture and Total Child Nutritional Cluster			391,027	
Department of Education -				
Passed through Louisiana Department of				
Education -				
Title I Grants to Local Educational Agencies	84.010	-	636,144	-
Special Education - Grants to States	84.027	-	268,846	-
Improving Teacher Quality	84.367	-	<u>13,881</u>	<u>-</u>
Total U.S. Department of Education			<u>918,871</u>	<u>-</u>
Total expenditures of Federal Awards			\$ <u><u>1,309,898</u></u>	\$ <u><u>-</u></u>

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of the Foundation under programs of the Federal government for the year ending June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Foundation did not elect to use the 10% de minimis indirect cost rate.

Note 4 - Contingency

The grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Foundation. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal, state and local laws and regulations.

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Board of Directors
June 30, 2017

<u>Board Members</u>	<u>Compensation</u>
Judge Ulysses Gene Thibodeaux, President	\$ 0
Mr. Charles Honore, Vice President	\$ 0
Mr. Clyde Mitchell, Secretary and Treasurer	\$ 0
Mr. Andrew Ranier, J.D., Trustee	\$ 0
Dr. Michael Kurth, Trustee	\$ 0
Mr. Willie Mount, Trustee	\$ 0
Ms. Sylvia Stelly, Trustee	\$ 0

Southwest Louisiana Charter Academy Foundation, Inc.
 Schedule of Compensation, Benefits and Other Payments to
 Agency Head or Chief Executive Officer
 For the Year Ended June 30, 2017

Agency Head: Judge Ulysses Gene Thibodeaux, President

Purpose	Amount
Salary	\$ 0
Benefits-Insurance	\$ 0
Benefits-Retirement	\$ 0
Car Allowance	\$ 0
Vehicle Provided by Government	\$ 0
Per Diem	\$ 0
Reimbursements	\$ 0
Travel	\$ 1,227
Registration Fees	\$ 0
Conference Travel	\$ 0
Continuing Professional Education Fees	\$ 0
Housing	\$ 0
Unvouchered Expenses	\$ 0
Special Meals	\$ 0

Note: Agency Head is a voluntary member who receives no compensation for his services to the Southwest Louisiana Charter Academy Foundation, Inc.

INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, 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 Southwest Louisiana Charter Academy Foundation, Inc. (a not-for-profit organization) (the "Foundation") 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, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 29, 2017

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

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Southwest Louisiana Charter Academy Foundation, Inc.'s (a not-for-profit organization) (the "Foundation") 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 Foundation's major Federal programs for the year ended June 30, 2017. The Foundation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation'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 Foundation'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 Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation 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 the Foundation 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 Foundation'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 Foundation'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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 29, 2017

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Southwest Louisiana Charter Academy Foundation, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Southwest Louisiana Charter Academy Foundation, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major Federal award programs for Southwest Louisiana Charter Academy Foundation, Inc. expresses an unmodified opinion on all major Federal programs.
6. There are no audit findings relative to the major Federal programs for Southwest Louisiana Charter Academy Foundation, Inc. reported in Part C of this schedule.
7. The program tested as a major program is as follows:

<u>Federal Program</u>	<u>CFDA No.</u>
U.S. Department of Education - Title I Grants to Local Educational Agencies	84.010

8. The threshold for distinguishing Types A and B programs was \$ 750,000.
9. Southwest Louisiana Charter Academy Foundation, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Awards Programs and State Financial Assistance Projects Audits

No matters were reported.

Southwest Louisiana Charter Academy Foundation, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017
(continued)

D. Other Issues

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. There were no prior audit findings related to Federal programs.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.

**SCHEDULES REQUIRED BY STATE LAW
(LA R.S. 24:524 - PERFORMANCE
AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Southwest Louisiana Charter Academy Foundation, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statement of Southwest Louisiana Charter Academy Foundation, Inc. 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. Management of Southwest Louisiana Charter Academy Foundation, Inc. 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 related to the accompanying schedules of supplemental information 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, and
 - Nonpublic Transportation Revenue.

No exceptions noted.

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.
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.
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 determined that the individual's education level was properly classified on the schedule.

No exceptions noted.

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.

No exceptions noted.

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 that the individual's experience was properly classified on the schedule.

No exceptions noted.

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.

No exceptions noted.

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

No exceptions noted.

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.

No exceptions noted.

Southwest Louisiana Charter Academy Foundation, Inc.

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 Southwest Louisiana Charter Academy Foundation, Inc.

No exceptions noted.

The Graduation Exit Exam (GEE) (Schedule 8)

11. The Graduation Exit Exam (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 the scores reported in the schedule by Southwest Louisiana Charter Academy Foundation, Inc.

No exceptions noted.

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 information and use of management of Southwest Louisiana Charter Academy Foundation, Inc., 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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 29, 2017

Southwest Louisiana Charter Academy Foundation, Inc.
 General Fund Instructional and Supprt Expenditures
 and Certain Local Revenue Sources
 For the Year Ended June 30, 2017

Schedule 1

General Fund Instructional and Equipment Expenditures:

General Fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 3,864,366	
Other instructional staff activities	249,510	
Instructional staff/Employee Benefits	621,078	
Purchased professional and technical services	116,441	
Instructional materials and supplies	261,018	
Instructional equipment	<u>631,705</u>	

Total teacher and student interaction activities		\$ 5,744,118
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Other instructional activities	72,112	72,112
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Pupil support activities	240,138	
Less: equipment for pupil support activities	<u>-</u>	

Net pupil support activities		240,138
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Instructional staff services	973,086	
Less: equipment for instructional staff services	<u>-</u>	

Net instructional staff services		973,086
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School administration	3,428,581	
Less: equipment for school administration	<u>-</u>	

Net school administration		<u>3,428,581</u>
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Total General Fund instructional expenditures		\$ <u><u>10,458,035</u></u>
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Total General Fund equipment expenditures		\$ <u><u>631,705</u></u>
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See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 General Fund Instructional and Supprt Expenditures
 and Certain Local Revenue Sources
 (continued)
 For the Year Ended June 30, 2017

Schedule 1

Certain Local Revenue Sources:

Local taxation revenue:

Constitutional ad valorem taxes	\$	-
Renewable ad valorem tax		-
Debt services ad valorem tax		-
Up to 1% of collections by the sheriff on taxes other than school taxes		-
Sales and use taxes		-
		<u> -</u>
Total local taxation revenue	\$	<u><u> -</u></u>

Local earnings on investment in real property:

Earnings from 16th Section property		-
Earnings from other real property		-
		<u> -</u>
Total local earnings on investment in real property	\$	<u><u> -</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		-
		<u> -</u>
Total state revenue in lieu of taxes	\$	<u><u> -</u></u>

Nonpublic textbook revenue	\$	<u> -</u>
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Nonpublic transportation revenue	\$	<u><u> -</u></u>
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See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 Education Levels of Public School Staff
 As of October 1, 2016

Schedule 2

Category:	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	-	-	15	33%	-	-	-	-
Bachelor's Degree	42	70%	29	63%	1	33%	-	-
Master's Degree	13	21%	2	4%	-	-	-	-
Master's Degree +30	4	7%	-	-	1	33%	-	-
Specialist in Education	1	2%	-	-	1	34%	1	100%
PhD or EdD	-	-	-	-	-	-	-	-
Total:	<u>60</u>	<u>100%</u>	<u>46</u>	<u>100%</u>	<u>3</u>	<u>100%</u>	<u>1</u>	<u>100%</u>

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
Number and Type of Public Schools
For the Year Ended June 30, 2017

Schedule 3

Type	Number
Elementary	1
Middle/Junior High	-
Secondary	1
Combination	-
	2
Total	2

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

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 Experience of Public Principals, Assistant Principals
 and Full-Time Classroom Teachers
 As of October 1, 2016

Schedule 4

	<u>0-1</u> <u>Years</u>	<u>2-3</u> <u>Years</u>	<u>4-10</u> <u>Years</u>	<u>11-14</u> <u>Years</u>	<u>15-19</u> <u>Years</u>	<u>20-24</u> <u>Years</u>	<u>25+</u> <u>Years</u>	<u>Total</u>
Assistant principals	-	-	-	-	1	-	-	1
Principals	-	-	2	-	-	1	-	3
Classroom teachers	63	11	22	3	2	-	5	106
Total:	<u>63</u>	<u>11</u>	<u>24</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>5</u>	<u>110</u>

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 Public School Staff Data - Average Salaries
 For the Year Ended June 30, 2017

Schedule 5

	<u>All Classroom Teachers</u>	<u>Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions</u>
Average classroom teachers' salary including extra compensation	\$ <u>42,841</u>	\$ <u>42,841</u>
Average classroom teachers' salary excluding extra compensation	\$ <u>41,155</u>	\$ <u>41,155</u>
Number of teacher full-time equivalents (FTE's) used in computation of average salaries	<u>64</u>	<u>64</u>

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.

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
 Class Size Characteristics
 As of October 1, 2016

Schedule 6

	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
School Type:								
Elementary	9%	18	11%	10	-	-	-	-
Elementary/activity classes	15%	30	23%	22	-	-	-	-
Middle/Junior High	26%	53	11%	10	-	-	-	-
Middle/Junior High activity classes	2%	4	5%	5	-	-	100%	2
High	48%	100	50%	48	100%	25	-	-
High activity classes	-	-	-	-	-	-	-	-
Combination	-	-	-	-	-	-	-	-
Combination activity classes	-	-	-	-	-	-	-	-
Total:	100%	205	100%	95	100%	25	100%	2

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 kindergarten through 3 is 26 students and maximum enrollment in grades 4 through 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.

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017

Schedule 7

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 3:						
Advanced	-	2%	-	3%	9%	-
Mastery	33%	30%	21%	13%	15%	19%
Basic	25%	28%	32%	37%	40%	35%
Approaching basic	22%	30%	24%	33%	26%	33%
Unsatisfactory	20%	10%	23%	14%	10%	13%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 4:						
Advanced	3%	-	-	3%	-	-
Mastery	22%	25%	20%	18%	20%	7%
Basic	45%	40%	39%	30%	39%	24%
Approaching basic	22%	27%	36%	38%	39%	49%
Unsatisfactory	8%	8%	5%	11%	2%	20%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 5:						
Advanced	-	-	-	-	-	-
Mastery	24%	19%	36%	20%	10%	12%
Basic	45%	37%	30%	37%	32%	39%
Approaching basic	23%	30%	26%	38%	41%	43%
Unsatisfactory	8%	14%	8%	5%	17%	6%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 6:						
Advanced	-	-	-	-	-	-
Mastery	26%	43%	30%	25%	16%	15%
Basic	42%	44%	48%	36%	45%	37%
Approaching basic	29%	10%	15%	32%	35%	36%
Unsatisfactory	3%	3%	7%	7%	4%	12%
Total	100%	100%	100%	100%	100%	100%

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2017
(continued)

Schedule 7

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017 Percent	2016 Percent	2015 Percent	2017 Percent	2016 Percent	2015 Percent
Grade 7:						
Advanced	-	4%	4%	-	-	-
Mastery	47%	28%	19%	11%	9%	6%
Basic	31%	32%	35%	40%	48%	43%
Approaching basic	15%	33%	31%	38%	28%	34%
Unsatisfactory	7%	3%	11%	11%	15%	17%
Total	100%	100%	100%	100%	100%	100%

District Achievement Level Results Students	English Language Arts			Mathematics		
	2017 Percent	2016 Percent	2015 Percent	2017 Percent	2016 Percent	2015 Percent
Grade 8:						
Advanced	3%	4%	-	-	-	-
Mastery	27%	31%	35%	12%	23%	19%
Basic	36%	41%	39%	21%	39%	23%
Approaching basic	27%	20%	20%	49%	24%	48%
Unsatisfactory	7%	4%	6%	18%	14%	10%
Total	100%	100%	100%	100%	100%	100%

See individual accountant's report on applying agreed-upon procedures.

Schedule 8

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

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.

iLEAP Tests

For the Year Ended June 30, 2017

Schedule 9

District Achievement Level Results Students	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 3:						
Advanced	-	-	2%	-	N/A	-
Mastery	16%	6%	10%	9%	N/A	12%
Basic	38%	48%	39%	23%	N/A	47%
Approaching basic	33%	38%	30%	30%	N/A	24%
Unsatisfactory	13%	8%	19%	38%	N/A	17%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results Students	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 4:						
Advanced	-	-	2%	-	N/A	-
Mastery	7%	5%	3%	9%	N/A	4%
Basic	36%	59%	39%	16%	N/A	39%
Approaching basic	41%	28%	41%	43%	N/A	32%
Unsatisfactory	16%	8%	15%	32%	N/A	25%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results Students	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 5:						
Advanced	-	-	-	-	N/A	-
Mastery	4%	6%	14%	5%	N/A	12%
Basic	27%	33%	51%	12%	N/A	53%
Approaching basic	41%	39%	24%	47%	N/A	24%
Unsatisfactory	28%	22%	11%	36%	N/A	11%
Total	100%	100%	100%	100%	N/A	100%

District Achievement Level Results Students	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 6:						
Advanced	6%	3%	-	-	N/A	-
Mastery	23%	23%	7%	11%	N/A	4%
Basic	49%	54%	57%	25%	N/A	64%
Approaching basic	16%	20%	27%	45%	N/A	24%
Unsatisfactory	6%	-	9%	19%	N/A	8%
Total	100%	100%	100%	100%	N/A	100%

See individual accountant's report on applying agreed-upon procedures.

Southwest Louisiana Charter Academy Foundation, Inc.
iLEAP Tests
For the Year Ended June 30, 2017
(continued)

Schedule 9

District Achievement Level Results Students	Science			Social Studies		
	2017 Percent	2016 Percent	2015 Percent	2017 Percent	2016 Percent	2015 Percent
Grade 7:						
Advanced	-	-	-	7%	N/A	-
Mastery	22%	11%	12%	26%	N/A	8%
Basic	48%	44%	41%	35%	N/A	52%
Approaching basic	21%	31%	26%	20%	N/A	29%
Unsatisfactory	9%	14%	21%	12%	N/A	11%
Total	100%	100%	100%	100%	N/A	100%
Grade 8:						
Advanced	-	-	-	5%	N/A	-
Mastery	8%	9%	-	8%	N/A	-
Basic	39%	39%	27%	28%	N/A	43%
Approaching basic	37%	41%	48%	28%	N/A	40%
Unsatisfactory	16%	11%	25%	31%	N/A	17%
Total	100%	100%	100%	100%	N/A	100%

See individual accountant's report on applying agreed-upon procedures.

**LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees
Southwest Louisiana Charter Academy Foundation, Inc.
Lake Charles, Louisiana

We have performed the procedures enumerated below, which were agreed to by Southwest Louisiana Charter Academy Foundation, Inc. (the "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. We obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:
 - 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**, including receiving, recording, and preparing deposits
 - 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, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Comment: We noted that the Entity does not have written purchasing policies addressing the following:

- a) controls to ensure compliance with the public bid law
- b) documentation required to be maintained for all bids and price quotes

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Reported 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.
 - b) Reported 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).
 - i. 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.
 - c) Reported 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.

Comment: We noted no formal/written plan to eliminate the deficit spending.

Bank Reconciliations

- 3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.
- 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;
 - 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
 - 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.

Comment: No findings were identified.

Collections

5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
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). For each cash collection location selected:
 - a) We obtained 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.
 - b) We obtained 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.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. 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.
 - ii. 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.
7. We obtained 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.

Comment: The employees responsible for collecting cash are not bonded, however, each employee is covered under CSUSA's crime insurance policy. This appears to be a mitigating control.

Comment: The Entity was unable to provide support for 4 entire deposits selected for testing and a portion of another deposit.

Comment: In testing, we discovered that certain deposit component items had been collected as many as nineteen days prior to depositing into the bank account. This pattern for the period between collection and depositing seemed to be unpredictable, and in some instances, was as short as zero days.

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

8. We obtained a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. We obtained management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, we 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. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
 - 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.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - 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.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed 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 reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, we inquired 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. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We reported any exceptions.

Comment: No findings were identified.

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

14. We obtained 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. We obtained management's representation that the listing is complete.

15. Using the listing prepared by management, we 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.

We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected 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) We reported 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.
 - b) We reported whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained 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, we reported whether the transaction is supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased)
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, we compared 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 reported any exceptions.
 - c) 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, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Comment: Supporting documentation for 2 out of 17 transactions tested could not be located by the Entity. In addition, 5 out of 17 transactions tested failed to specify the business/public purpose of the transaction.

Travel and Expense Reimbursement

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

18. We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained 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) We compared expense documentation to written policies and reported 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, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.
 - b) We reported whether each expense is supported by:
 - i. 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.]
 - ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) 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, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse).
 - d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Comment: No findings were identified.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sort/filter for contract payments. We obtained management's representation that the listing or general ledger is complete.
21. Using the listing above, we selected 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). We obtained the related contracts and paid invoices and:
 - a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.

- b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We reported whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - i. If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - ii. If no, we obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.
- c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.
- e) We obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Comment: It was noted that the CSUSA management agreements were amended.

Payroll and Personnel

- 22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. We randomly selected five employees/officials, obtained their personnel files, and:
 - a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
- 23. We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

- c) Reported 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.
24. We obtained 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, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported 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.

Comment: No findings were identified.

Other

26. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
27. We observed and reported 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
28. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

Comment: No findings were identified.

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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
December 29, 2017



Response to Exceptions in AUP Results Report

We have done a preliminary review of the recommendations provided in the AUP results. Once a thorough review is completed, we will work towards implementing policies and procedures that will help prevent reoccurrence of these exceptions in future periods. It appears that a majority of the exceptions are related to document retention which will be a focus area. We will work toward improving the level of accountability and responsibility for retaining necessary documentation. Other areas will be addressed as outlined in the recommendations as well.

Signature: *Andsey Lennon*

Title: Controller