

DOWNSVILLE COMMUNITY CHARTER, INC.

FINANCIAL REPORT

JUNE 30, 2019

DOWNSVILLE COMMUNITY CHARTER, INC.

FINANCIAL STATEMENTS
JUNE 30, 2019

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DON M. McGEHEE
(A Professional Accounting Corporation)

P.O. Box 1344
205 E. Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
Downsville Community Charter, Inc.
4787 Hwy 151
Downsville, Louisiana 71234

Report on the Financial Statements

I have audited the accompanying financial statements of Downsville Community Charter, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downsville Community Charter, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

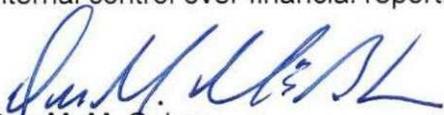
Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Performance and Statistical Data included as Schedules 1 and 2, as required by Louisiana Revised Statute 24:514, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 26, 2019, on my consideration of the Downsville Community Charter's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Downsville Community Charter's 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 Downsville Community Charter's internal control over financial reporting and compliance.



Don M. McGehee
Certified Public Accountant
December 26, 2019

DOWNSVILLE COMMUNITY CHARTER, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 555,902	\$ 902,632
Grant Receivables	50,928	111,976
Due from Others	<u>299,208</u>	<u>277,166</u>
TOTAL CURRENT ASSETS	<u>906,038</u>	<u>1,291,774</u>
RESTRICTED ASSETS		
Cash	<u>66,373</u>	<u>83,803</u>
PROPERTY, PLANT AND EQUIPMENT - NET	<u>554,709</u>	<u>210,747</u>
TOTAL ASSETS	<u>\$ 1,527,120</u>	<u>\$ 1,586,324</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 11,289	\$ 90,510
Contract Retainage Payable	0	10,231
Accrued Payroll and Related Amounts	228,485	402,693
Current Portion of Compensated Absences	<u>12,875</u>	<u>6,529</u>
TOTAL CURRENT LIABILITIES	<u>252,649</u>	<u>509,963</u>
COMPENSATED ABSENCES LIABILITY	<u>39,665</u>	<u>36,780</u>
TOTAL LIABILITIES	<u>292,314</u>	<u>546,743</u>
NET ASSETS		
Without Donor Restrictions	1,168,433	955,778
With Donor Restrictions	<u>66,373</u>	<u>83,803</u>
TOTAL NET ASSETS	<u>1,234,806</u>	<u>1,039,581</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,527,120</u>	<u>\$ 1,586,324</u>

See accompanying notes to financial statements.

DOWNSVILLE COMMUNITY CHARTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUES		
Contributions	\$ 24,577	\$ 33,187
Grants		
Federal Grants	89,875	108,492
State Minimum Foundation Program	2,279,242	2,229,332
Local Minimum Foundation Program	1,318,200	1,366,946
Other State Funding	100,265	147,902
Interest Income	1,103	1,786
Student Activity Revenue	32,157	0
Fee Revenue	5,835	8,029
Other	<u>5,546</u>	<u>13,366</u>
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	<u>3,856,800</u>	<u>3,909,040</u>
EXPENSES		
Program Services		
Instruction		
Regular Programs	1,777,793	1,818,034
Special Education Programs	185,669	192,402
Career and Technical Education Programs	147,087	153,432
Other Instructional Programs	220,340	300,705
Pupil Support Services	107,677	99,733
Instructional Staff Services	0	212
Operation and Maintenance of Plant Services	414,093	465,182
Student Transportation Services	325,729	309,889
Food Service Operations	4,127	8,871
Management and General		
School Administration	321,425	338,050
Business Services	113,347	102,536
General Administration	26,107	35,663
Central Services	<u>751</u>	<u>1,484</u>
TOTAL EXPENSES	<u>3,644,145</u>	<u>3,826,193</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	212,655	82,847
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
School Activity Funds	<u>(17,430)</u>	<u>24,042</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(17,430)</u>	<u>24,042</u>
CHANGE IN NET ASSETS	195,225	106,889
NET ASSETS - BEGINNING OF YEAR	<u>1,039,581</u>	<u>932,692</u>
NET ASSETS - END OF YEAR	<u>\$ 1,234,806</u>	<u>\$ 1,039,581</u>

See accompanying notes to financial statements.

DOWNSVILLE COMMUNITY CHARTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government and Others	\$ 3,877,186	\$ 3,633,808
Cash Payments for Goods and Services	(2,049,637)	(1,665,979)
Cash Payments to Employees	(1,827,004)	(1,900,635)
Interest Received	<u>1,103</u>	<u>1,786</u>
Net Cash Provided by Operating Activities	<u>1,648</u>	<u>68,980</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land Improvements	(3,139)	0
Purchase of Gym Equipment and Other Improvements	(219,810)	(86,030)
Construction of Gym Air Conditioning System	<u>(142,859)</u>	<u>(126,372)</u>
Net Cash Used by Investing Activities	<u>(365,808)</u>	<u>(212,402)</u>
NET DECREASE IN CASH	(364,160)	(143,422)
CASH AT BEGINNING OF YEAR	<u>986,435</u>	<u>1,129,857</u>
CASH AT END OF YEAR	<u>\$ 622,275</u>	<u>\$ 986,435</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 195,225	\$ 106,889
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	21,847	1,654
(Increase) Decrease in Grant Receivables	61,047	(73,901)
(Increase) Decrease in Due from Others	(22,042)	(226,638)
Increase (Decrease) in Accounts Payable	(79,220)	54,841
Increase (Decrease) in Contracts Payable	(10,231)	10,231
Increase (Decrease) in Accrued Liabilities	(142,549)	142,250
Increase (Decrease) in Salaries Payable	(31,659)	58,202
Increase (Decrease) in Compensated Absences	<u>9,230</u>	<u>(4,548)</u>
Total Adjustments	<u>(193,577)</u>	<u>(37,909)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,648</u>	<u>\$ 68,980</u>
 CASH PER STATEMENT OF FINANCIAL POSITION:		
Current Cash	\$ 555,902	\$ 902,632
Restricted Cash	<u>66,373</u>	<u>83,803</u>
Total Cash at End of Year	<u>\$ 622,275</u>	<u>\$ 986,435</u>

See accompanying notes to financial statements.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Downsville Community Charter, Inc. (the "School") was incorporated on October 23, 2016, under the provisions of Title 12, Section 101, of the Louisiana Revised Statutes. The School is exclusively for educational purposes with respect to operating Downsville Community Charter, Inc. in Downsville, Union Parish, Louisiana. The School is supported primarily through the Minimum Foundation Program (MFP) funded by the State of Louisiana and the Union Parish School Board. The support is based on the number of eligible students in attendance on the School's official pupil count days each year. The MFP revenue for the year ended June 30, 2019, accounts for 94% of the School's total support.

The Union Parish School Board (UPSB) approved the granting of a charter to the School effective November 13, 2015, initially granting a charter period to terminate on June 30, 2020, contingent upon the results of the reporting requirements at the end of the third year as provided in Louisiana R.S. 17:3998(A)(2) and the extension process as provided in Chapter 13 of BESE Bulletin 126. The UPSB subsequently granted the School an extension of the charter for a period expiring June 30, 2029. The School is a Type 3 Charter School, as defined in Louisiana R.S. 17:3973(3)(b).

The School files an information return for organizations exempt from Federal Income tax under the provisions of section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity. If the School loses the exempt status, any income in future years could be taxed at normal corporate rates.

The School adopted *Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This new standard requires changes in how net assets are classified. Only two classes of net assets are reported under the new standard based on whether there are any donor restrictions. Changes to the accompanying disclosures are also implemented.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the School are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recognized when earned and expenses are recognized when incurred.

FINANCIAL STATEMENT PRESENTATION

The School follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions. Some unrestricted net assets may be designated by the board of directors of the School for specific purposes.

Net Assets With Donor Restrictions - Net assets subject to a donor-imposed restriction that is a donor stipulation for the use of a contributed asset that is more specific than the broad limits resulting from the School's nature, environment, and purpose.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash, which is held in interest bearing and non-interest bearing demand deposit accounts, consisted of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified the use of the contribution.

The School classifies all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

RECEIVABLES

Receivables are stated at the amount management expects to collect from outstanding balances. Management believes all receivables are collectible and therefore has not recognized a provision for doubtful accounts. The school received government grants to fund programs and operations. The grants are reimbursement based and grants receivable at the year end are stated at unpaid balances for expenditures incurred during the year.

DUE FROM OTHERS

Due from others are primarily amounts due from the Union Parish School Board for minimum foundation funds less any reimbursements due from the School as part of the shared services agreement.

CONTRIBUTION AND REVENUE RECOGNITION

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs of the School, or when earned under the terms of the grants. An accrual is made when grant terms are satisfied.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State of Louisiana Public School Fund (the State) and the Union Parish School Board (UPSB). The funding the School receives is determined on an annual basis based on the number of pupils enrolled as of October 1st. The State funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. The UPSB's funded per pupil allocation from sales tax revenues, ad valorem taxes, and other sources is determined by the relationship of the number of pupils in the School versus total pupils in the UPSB's system. The MFP revenue for the year ended June 30, 2019 and 2018 was 94% and 95%, respectively, of the School's total revenue.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT, AND EQUIPMENT

Acquisitions of property, plant, and equipment with a cost in excess of \$5,000 are capitalized. Property, plant, and equipment are stated at cost or carried at the fair market value on the date of the donation, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Interest incurred during the construction period is reflected in the capitalized value of the asset constructed.

INCOME TAXES

The School's Form 990, Return of Organization Exempt from Income Tax, for the eight months ending June 30, 2016, for the year ending June 30, 2017, and for the year ending June 30, 2018 were filed with the Internal Revenue Service. As of December 26, 2019, the School had not filed its Form 990 for the year ending June 30, 2019. The School's tax filings are subject to examination by the IRS, generally for three years after filing.

COMPENSATED ABSENCES

All twelve month employees earn from ten to fifteen days of vacation leave each year, based on years of service. Unused vacation can be accumulated each year limited to an overall maximum of fifteen days carried over to the next year.

All twelve month employees earn from twelve to eighteen days of sick leave each year, depending on their length of service. Nine month employees earn ten days of sick leave each year. Sick leave can be accumulated. Upon retirement or death, unused accumulated sick leave or up to 25 days is paid to the employee or to the employee's estate at the employee's current rate of pay. Under the Louisiana Teachers' Retirement System and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement benefit computation as earned service.

Compensated absences are accrued as a liability when the employees' right to receive compensation is attributable to service already rendered, the compensation rights vest or accumulate, the compensation payment is probable, and the amount can be reasonably estimated. Based on this criteria, the School accrues earned vacation and sick leave for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the next five years to receive such payments.

NOTE 2 - CASH

At June 30, 2019 and 2018, the carrying amount of cash was \$622,275 and \$986,435, respectively, which approximates market value. The School's bank balances per the banks totaled \$779,803 and \$1,108,945, respectively. The School's bank balances at June 30, 2019 and 2018, were collateralized by Federal Depository Insurance of \$250,000 and \$250,000, respectively, with \$529,803 and \$858,945 respectively, uncollateralized.

NOTE 3 - GRANT RECEIVABLES

At June 30, 2019 and 2018, grant receivables totaled \$50,928 and \$111,976, respectively, which were for state and federal grants passed through the Union Parish School Board. The stated balance is considered fully collectible.

NOTE 4 - DUE FROM OTHERS

At June 30, 2019 and 2018, amounts due from the Union Parish School Board totaled \$299,208 and \$277,166, respectively, which were primarily for minimum foundation funds for June, 2019 and 2018, respectively. The stated balance is considered fully collectible.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the net assets with donor restrictions are time-restricted by donors. Net assets with donor restrictions at June 30, 2019 and 2018, were for student activities funds.

Prior year temporarily restricted net assets are reclassified in this presentation as net assets with donor restrictions.

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Effective November 13, 2015, the School entered into an agreement with the Union Parish School Board (UPSB), allowing the School to use the UPSB's facilities and contents located at 4787 Highway 151, Downsville, Louisiana 71234. The lease was extended effective July 1, 2017 through June 30, 2067, but requires the School to have an approved charter. The School pays an annual lease of \$1,200, according to the agreement, in monthly installments of \$100. The School is responsible for insurance and all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules.

Any value from the use of the UPSB property that would be considered donated is not recorded as an in-kind contribution from the UPSB. The value of the property is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Any assets acquired by the School are the property of the School for the duration of their charter agreement with the Union Parish School Board. If the charter is revoked or surrendered or the school otherwise ceases to operate, all assets purchased with public funds shall automatically revert to full ownership by the Union Parish School Board. The School must maintain records of any assets acquired with private funds that will remain the property of the School. There were some asset acquisitions by the School which have met or exceeded the School's \$5,000 capitalization policy, and leasehold improvements which were amortized over the shorter of the useful life or the lease term.

Property, plant, and equipment consisted of the following:

CLASS	DEPRECIATION/ AMORTIZATION LIFE RANGE	2019	2018
Land Improvements	20 Yrs.	\$ 14,375	\$ 11,236
Leasehold Improvements	20 Yrs.	476,160	38,125
Furniture, Fixtures, and Equipment	5 - 10 Yrs.	87,675	36,669
Total		578,210	86,030
Less: Accumulated Depreciation		(23,501)	(1,654)
Construction In Progress		0	126,371
Net Fixed Assets		\$ 554,709	\$ 210,747

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 7 - RETIREMENT PLANS

Substantially all full-time employees of the School participate in either the Teachers' Retirement System of Louisiana ("TRSL") or the Louisiana School Employees' Retirement System ("LSERS"). Both of these systems are cost sharing, multiple-employer governmental defined benefit plans qualified under Section 401(a) of the Internal Revenue Code. Both plans provide retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL and LSERS issue publicly available financial reports that include financial statements and required supplementary information of the TRSL and the LSERS. The reports may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123, and the Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, LA 70804-4516.

In general, professional employees (such as teachers and principals) are members of the TRSL. Other employees, such as custodial personnel, are members of the LSERS. Generally, all full-time employees are eligible to participate in the systems.

The risks of participating in a multi-employer plan is different from single employer plans. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the School chooses to stop participating it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

TRSL is a component unit of the State of Louisiana and presents its financial information based on Governmental Accounting Standards. According to the financial report for the year ending June 30, 2018 (the most recent available), the actuarial funded ratio for funding purposes was 65.8% compared to 64.5% for 2017. TRSL had 204 employers participating in the plan with the School's employer allocation percentage at 0.04000%.

LSERS is also a component unit of the State of Louisiana and presents its financial information based on Governmental Accounting Standards. According to the financial report for the year ending June 30, 2018 (the most recent available), the actuarial funded ratio for funding purposes was 74.59% compared to 74.16% for 2017. LSERS had 98 employers participating in the plan with the School's employer allocation percentage at 0.030680%, according to the June 30, 2018 employer allocation schedule.

Participants in TRSL vest immediately in employee contributions to the plans. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. For the years ended June 30, 2019 and 2018, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 26.7% and 26.6%, respectively, of the annual covered payroll for each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the the years ended June 30, 2019 and 2018, the School contributions to this plan were \$451,024 and \$489,475, respectively, equal to the required contributions for each year.

Participants in LSERS vest immediately in employee contributions to the plans. Retirement benefits vest after ten years of service for members prior to July 1, 2010, or five years of service for members on or after that date, but the employee cannot begin receiving a benefit until age sixty. Members before July 1, 2010 may begin receiving their benefits at age 55, if they have at least twenty-five years of service. Benefits are established and amended by state statute. For the years ended June 30, 2019 and 2018, participants were required to contribute 7.5% or 8% of their annual covered payroll to the plan, depending on the date they became members, and the School was required to contribute 28.0% and 27.6%, respectively, of the annual covered payroll for each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the the years ended June 30, 2019 and 2018, the School contributions to this plan were \$28,617 and \$24,424, respectively, equal to the required contributions for each year.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 - LEASE AGREEMENTS

The School leases school buses to provide transportation for students. The lease is for four years with an annual payment of \$106,800, due on July 1st of each year. Current year lease expense on these buses was \$106,800. The future minimum lease payments, as of June 30, 2019, were \$213,600, as follows:

2020	\$ 106,800
2021	<u>106,800</u>
Future Minimum Lease Payments	\$ <u>213,600</u>

The lease may also assess a surcharge on each vehicle at the end of the lease, if the mileage exceeds the base mileage set by the lessor.

The School also has a lease agreement with Union Parish School Board, as described in Note 6 above.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the School's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date as of June 30:

	<u>2019</u>	<u>2018</u>
Cash at Year End	\$ 622,275	\$ 986,435
Grants Receivable	50,928	111,976
Due from Others	<u>299,208</u>	<u>277,166</u>
Total	972,411	1,375,577
Less: Amounts Unavailable for General Expenditures within One Year, Due to:		
Donor-restricted to specific school activities	<u>(66,373)</u>	<u>(83,803)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 906,038</u>	<u>\$ 1,291,774</u>

The School prepares an annual budget that is approved by the Board Members for the upcoming year. Budget versus actual comparisons are presented at each monthly board meeting and reviewed by the Board. Cash flow is monitored by management on a daily basis.

DOWNSVILLE COMMUNITY CHARTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 - FUNCTIONAL EXPENSES

The cost of providing various services have been summarized on a functional basis between program services and supporting services. Certain costs have been allocated among program services and supporting services. Salaries and benefits are allocated based on the time and effort expended between program and supporting services. A schedule of functional expenses for the year ended June 30, 2019, with comparative totals for the year ended June 30, 2018, is shown below:

	Program Services	Supporting Services	2019 Total	2018 Total
	Charter School	Management and General		
Salaries	\$ 1,646,353	\$ 210,541	\$ 1,856,894	\$ 2,003,207
Employee Benefits and Payroll Taxes	719,551	87,106	806,657	901,411
Professional Services	178,866	62,258	241,124	205,062
Materials and Supplies	167,806	3,873	171,679	152,245
Rent Expense	119,171	0	119,171	121,045
Repairs and Maintenance	117,880	0	117,880	122,893
Insurance	72,443	811	73,254	96,808
Administrative Services	0	71,949	71,949	71,926
Utilities	57,494	0	57,494	78,443
Other Services	47,403	0	47,403	5,291
Depreciation and Amortization	21,847	0	21,847	1,654
Travel	8,231	8,214	16,445	17,724
Miscellaneous	25,470	16,878	42,348	48,484
Total Expenses	<u>\$ 3,182,515</u>	<u>\$ 461,630</u>	<u>\$ 3,644,145</u>	<u>\$ 3,826,193</u>

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through December 26, 2019, the date which the financial statements were available to be issued.

NOTE 12 - RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective for fiscal years beginning after December 15, 2018, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Downsville Community Charter is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, which certain practical expedients available. Downsville Community Charter is currently evaluating the impact of adopting the new leases standard on its financial statements.

OTHER REPORTS AND SCHEDULES

DON M. McGEHEE
(A Professional Accounting Corporation)

P.O. Box 1344
205 E. Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

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

Board of Directors of the
Downsville Community Charter, Inc.
4787 Hwy 151
Downsville, Louisiana 71234

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Downsville Community Charter, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Downsville Community Charter's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Downsville Community Charter's internal control. Accordingly, I do not express an opinion on the effectiveness of the Downsville Community Charter'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Downsville Community Charter's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Downsville Community Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Don M. McGehee
Certified Public Accountant
December 26, 2019

DOWNSVILLE COMMUNITY CHARTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I have audited the financial statements of the Downsville Community Charter, Inc. as of and for the year ended June 30, 2019, and have issued my report thereon dated December 26, 2019. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

My audit of the financial statements as of June 30, 2019, resulted in an unqualified opinion.

Summary of Auditor Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No

Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

Findings - Financial Statements Audit

Reportable Conditions

No findings.

DOWNSVILLE COMMUNITY CHARTER, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Findings - Financial Statements Audit

Reportable Conditions

No findings.

DOWNSVILLE COMMUNITY CHARTER, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2019, are discussed below with management's response for a corrective action plan.

Findings - Financial Statements Audit

Reportable Conditions

No findings.

DOWNSVILLE COMMUNITY CHARTER, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE DOWNSVILLE COMMUNITY CHARTER
EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2019

Downsville Community Charter Executive Director, Anthony Cain:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 90,000
Employee Benefits	30,231
Travel-Mileage	3,375
Travel-Meals	530
Travel-Lodging	1,434

**PERFORMANCE AND STATISTICAL DATA
SCHEDULES REQUIRED BY STATE LAW**

DON M. McGEHEE
(A Professional Accounting Corporation)

P.O. Box 1344
205 E. Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors of the
Downsville Community Charter, Inc.
4787 Hwy 151
Downsville, Louisiana 71234

I have performed the procedures enumerated below, which were agreed to by the Downsville Community Charter, Inc., the Louisiana Department of Education, and the Louisiana Legislative Auditor on the performance and statistical data accompanying the annual financial statements of the Downsville Community Charter, Inc. for the fiscal year ended June 30, 2019; 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 126, in compliance with Louisiana Revised Statute 24:514 I. Management of the Downsville Community Charter, Inc., is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

My procedures and associated findings are as follows:

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

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

No exceptions found.

Class Size Characteristics (Schedule 2)

2. I obtained a list of classes by school, school type, and class size as reported on the schedule. I then traced a sample of 10 classes to the October 1st roll books for those classes to observe that the class was properly classified on the schedule.

No exceptions found.

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

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

In the sample of 25 individuals selected, the education level was properly classified in the PEP data for 24 individuals, with one individual's experience incorrectly classified in the PEP data. The years of experience for each individual selected was properly classified in the PEP data for 23 individuals with two individuals' years of experience incorrectly classified in the PEP data.

Management's Response: The three exceptions found in the PEP data submitted for October 1st, will be corrected. We will also implement new controls in 2020 to improve the detection of errors in the PEP data before submitting.

Public School Staff Data: Average Salaries (NO SCHEDULE)

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

In the sample of 25 individuals selected, the full time equivalents were properly included in the PEP data except for one individual. The salaries of the individuals selected were properly included in the PEP data for 1 individual selected and incorrectly reported for 24 individuals.

Management's Response: The salaries incorrectly reported in the June 30th PEP data were the beginning base amounts. The employee responsible for updating those amounts to the actual amounts paid before submitting the June 30th PEP data was on extended sick leave and no one was assigned to complete the task. We will assign two employees to be responsible for the PEP data in 2020, thereby providing a back-up in case of illness.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. I was 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 the performance and statistical data. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Downsville Community Charter, Inc., as required by Louisiana Revised Statute 24:514.I, 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 Legislative Auditor as a public document.


Don M. McGehee
Certified Public Accountant
December 26, 2019

DOWNSVILLE COMMUNITY CHARTER, INC.
Downsville, Louisiana
Schedules Required by State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and For the Year Ended June 30, 2019

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

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

Schedule 2 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

DOWNSVILLE COMMUNITY CHARTER, INC.
Downsville, Louisiana
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2019

Schedule 1

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures:</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 1,274,740	
Other Instructional Staff Activities	102,682	
Instructional Staff Employee Benefits	599,665	
Purchased Professional and Technical Services	100,685	
Instructional Materials and Supplies	39,287	
Instructional Equipment	<u>210</u>	
Total Teacher and Student Interaction Activities		\$ 2,117,269
Other Instructional Activities		29,663
Pupil Support Services	107,677	
Less: Equipment for Pupil Support Services	<u>0</u>	
Net Pupil Support Services		107,677
Instructional Staff Services	0	
Less: Equipment for Instructional Staff Services	<u>0</u>	
Net Instructional Staff Services		0
School Administration	321,425	
Less: Equipment for School Administration	<u>0</u>	
Net School Administration		<u>321,425</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u>\$ 2,675,767</u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u>\$ 3,212</u>
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		0
Renewable Ad Valorem Tax		0
Debt Service Ad Valorem Tax		0
Up to 1% of Collections by Sheriff on Taxes Other than School Taxes		0
Sales and Use Taxes		<u>0</u>
Total Local Taxation Revenue		<u>\$ 0</u>
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		0
Earnings from Other Real Property		<u>0</u>
Total Local Earnings on Investment in Real Property		<u>\$ 0</u>
State Revenue in Lieu of Taxes:		
Revenue Sharing-Constitutional Tax		0
Revenue Sharing-Other Taxes		0
Revenue Sharing-Excess Portion		0
Other Revenue in Lieu of Taxes		<u>0</u>
Total State Revenue in Lieu of Taxes		<u>\$ 0</u>
Nonpublic Textbook Revenue		<u>\$ 0</u>
Nonpublic Transportation Revenue		<u>\$ 0</u>

DOWNSVILLE COMMUNITY CHARTER, INC.
Downsville, Louisiana
Class Size Characteristics
As of October 1, 2018

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	81.00%	162	12.50%	25	6.5%	13	0%	0
Combination Activity Classes	88.24%	15	11.76%	2	0%	0	0%	0

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

DOWNSVILLE COMMUNITY CHARTER, INC.

STATEWIDE AGREED-UPON PROCEDURES

JUNE 30, 2019

DON M. McGEHEE
(A Professional Accounting Corporation)

P.O. Box 1344
205 E. Reynolds Drive, Suite A
Ruston, Louisiana 71273-1344

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors of the Downsville Community Charter, Inc.
and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Downsville Community Charter, Inc. 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, 2018 through June 30, 2019. 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Management provided us with the written policy and procedures and all functions are addressed.

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.

Management provided us with the written policy and procedures and all functions are addressed.

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

Management provided us with the written policy and procedures and all functions are addressed.

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Management provided us with the written policy and procedures and all functions are addressed.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Management provided us with the written policy and procedures and all functions are addressed.

- 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

Management provided us with the written policy and procedures and all functions, except standard terms and conditions for contracts, are addressed.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Management provided us with the written policy and procedures and all functions are addressed.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Management provided us with the written policy and procedures and all functions are addressed.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Management provided us with the written policy and procedures and all functions are addressed.

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

Not applicable at this time.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) debt reserve requirements, and (4) debt service requirements.

Management provided us with the written policy and procedures and all functions are addressed.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Excluded from testing during the current year, since a previous year had no exceptions.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Excluded from testing during the current year, since a previous year had no exceptions.

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

Not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Excluded from testing during the current year, since a previous year had no exceptions.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable

Excluded from testing during the current year, since a previous year had no exceptions.

Collections (excluding EFTs)

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

Management provided us with the required list and representation that it is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions found.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions found.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions found.

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

No exceptions found.

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

No exceptions found.

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

- a) Observe that receipts are sequentially pre-numbered.

No exceptions found.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions found.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions found.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions found.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions found.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Excluded from testing during the current year, since a previous year had no exceptions.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Excluded from testing during the current year, since a previous year had no exceptions.

- b) At least two employees are involved in processing and approving payments to vendors.

Excluded from testing during the current year, since a previous year had no exceptions.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files

Excluded from testing during the current year, since a previous year had no exceptions.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Excluded from testing during the current year, since a previous year had no exceptions.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Excluded from testing during the current year, since a previous year had no exceptions.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Excluded from testing during the current year, since a previous year had no exceptions.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Observe that finance charges and late fees were not assessed on the selected statements

Excluded from testing during the current year, since a previous year had no exceptions.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Excluded from testing during the current year, since a previous year no exceptions.

Travel and Expense Reimbursement

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Excluded from testing during the current year, since a previous year had no exceptions.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Excluded from testing during the current year, since a previous year had no exceptions.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Excluded from testing during the current year, since a previous year had no exceptions.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Excluded from testing during the current year, since a previous year had no exceptions.

Contracts

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

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Excluded from testing during the current year, since a previous year had no exceptions.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Excluded from testing during the current year, since a previous year had no exceptions.

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

Excluded from testing during the current year, since a previous year had no exceptions.

Payroll and Personnel

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

Excluded from testing during the current year, since a previous year had no exceptions.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Excluded from testing during the current year, since a previous year had no exceptions.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Excluded from testing during the current year, since a previous year had no exceptions.

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

Excluded from testing during the current year, since a previous year had no exceptions.

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

Excluded from testing during the current year, since a previous year had no exceptions.

Ethics (excluding nonprofits)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Excluded from testing during the current year, since a previous year had no exceptions.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Excluded from testing during the current year, since a previous year had no exceptions.

Debt Service (excluding nonprofits)

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Excluded from testing during the current year, since a previous year had no exceptions.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Excluded from testing during the current year, since a previous year had no exceptions.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.



Don M. McGehee
Certified Public Accountant
December 26, 2019