
Northshore Charter School

Financial Statements

June 30, 2019

Northshore Charter School

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Independent Auditor's Report

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have audited the accompanying financial statements of Northshore Charter School, a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northshore Charter School as of June 30, 2019, 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.

Report on Comparative Information

We have previously audited Northshore Charter School's 2018 financial statements, and our report dated December 28, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, Northshore Charter School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Northshore Charter School. The accompanying schedule of compensation, benefits, and other payments to school head at page 16 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of compensation, benefits, and other payments to school head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to school head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statewide agreed-upon procedures at pages 17 – 25 and the schedules of performance statistical data, as required by Louisiana state law and referred to in our independent accountant's reports on applying agreed-upon procedures at pages 26 – 28, have not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of Northshore Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northshore Charter School's internal control over financial reporting and compliance.



Covington, Louisiana
December 20, 2019

Financial Statements

Northshore Charter School
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 323,006	\$ 23,073
Grants receivable, net	572,887	1,009,186
Prepaid expenses	44,625	79,737
	<u>940,518</u>	<u>1,111,996</u>
Fixed Assets		
Property and equipment, net	547,457	660,578
Other Assets		
Security deposits	32,429	32,429
	<u>\$ 1,520,404</u>	<u>\$ 1,805,003</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 248,122	\$ 234,446
Employee benefits payable	351,692	411,636
Accrued payroll expenses	201,104	274,685
	<u>800,918</u>	<u>920,767</u>
Noncurrent liabilities		
Accrued compensated absences	186,722	228,433
	<u>987,640</u>	<u>1,149,200</u>
Net Assets		
Without donor restrictions		
Undesignated	532,764	655,803
	<u>\$ 1,520,404</u>	<u>\$ 1,805,003</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
State public school funding	\$ 5,361,077	\$ 6,408,976
Federal grants	182,930	296,599
Meal income	355,449	462,559
Other income	29,571	46,695
	<u>5,929,027</u>	<u>7,214,829</u>
Expenses		
Program expenses		
Regular education	2,772,879	3,972,577
Special education	502,209	538,686
Student support and school administration	1,556,018	1,402,914
Cafeteria	502,586	649,264
Transportation	298,412	425,384
	<u>5,632,104</u>	<u>6,988,825</u>
General administrative expenses	419,962	785,861
	<u>6,052,066</u>	<u>7,774,686</u>
Change in net assets without donor restrictions	(123,039)	(559,857)
Net assets, beginning of year, as restated (<i>see note 2</i>)	655,803	1,215,660
Net assets, end of year	<u>\$ 532,764</u>	<u>\$ 655,803</u>

See accompanying notes to financial statements.

Northshore Charter School
Statement of Functional Expenses
For the Year Ended June 30, 2019
(with summarized comparative information for the year ended June 30, 2018)

	Program Expenses					Total Program Expenses	Support	2019 Total Expenses	2018 Total Expenses
	Regular Education	Special Education	Student Support and School Administration	Cafeteria	Transportation		General Administrative Expenses		
Salaries and wages	\$ 1,453,270	\$ 393,797	\$ 756,823	\$ 172,204	\$ 263,534	\$ 3,039,628	\$ 113,805	\$ 3,153,433	\$ 4,129,985
Employee benefits	1,001,775	63,855	136,760	54,767	20,115	1,277,272	29,492	1,306,764	1,679,275
Educational supplies	71,944	121	-	-	-	72,065	-	72,065	165,330
Meals purchased	-	-	-	168,691	-	168,691	-	168,691	220,286
Cafeteria supplies	-	-	-	20,356	-	20,356	-	20,356	32,688
School activity fund expenses	-	-	7,751	-	-	7,751	7,751	15,502	34,772
Bad debts	-	-	-	-	-	-	-	-	66,499
Rents and leases	214,707	35,700	76,130	22,089	-	348,626	20,142	368,768	466,477
Repairs and maintenance	-	-	74,475	26,566	8,762	109,803	14,332	124,135	85,071
Utilities	-	-	53,604	15,555	-	69,159	10,773	79,932	86,043
Depreciation	-	-	88,700	13,492	2,532	104,724	8,397	113,121	124,070
Insurance	19,710	5,280	10,166	2,326	3,469	40,951	107,994	148,945	140,186
Professional services	-	-	-	-	-	-	23,024	23,024	320,519
Staff development	11,473	3,456	-	-	-	14,929	-	14,929	58,786
Office supplies and services	-	-	339,778	6,540	-	346,318	79,406	425,724	132,535
Marketing	-	-	-	-	-	-	3,993	3,993	13,195
Travel	-	-	11,831	-	-	11,831	853	12,684	18,969
	<u>\$ 2,772,879</u>	<u>\$ 502,209</u>	<u>\$ 1,556,018</u>	<u>\$ 502,586</u>	<u>\$ 298,412</u>	<u>\$ 5,632,104</u>	<u>\$ 419,962</u>	<u>\$ 6,052,066</u>	<u>\$ 7,774,686</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (123,039)	\$ (559,858)
Adjustments to reconcile the increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	113,121	124,070
(Increase) decrease in:		
Grants receivable	436,299	(587,215)
Prepaid expenses	35,112	54,272
Increase (decrease) in:		
Accounts payable	13,676	49,730
Retirement payable	(59,944)	-
Accrued expenses	(73,581)	98,149
Accrued compensated absences	(41,711)	28,207
Net cash provided by (used in) operating activities	<u>299,933</u>	<u>(792,645)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(4,000)
Net cash used in investing activities	<u>-</u>	<u>(4,000)</u>
Increase (decrease) in cash and cash equivalents	299,933	(796,645)
Cash and cash equivalents, beginning balance	<u>23,073</u>	<u>819,718</u>
Cash and cash equivalents, ending balance	<u>\$ 323,006</u>	<u>\$ 23,073</u>

See accompanying notes to financial statements.

Northshore Charter School

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Nature of Operations

Northshore Charter School, Inc. (the “School”), was created as a non-profit corporation under the laws of the State of Louisiana (the “State”) on June 11, 2012. On July 1, 2013 the School was granted a five year charter by the Louisiana Board of Elementary and Secondary Education (“BESE”) to operate a Type 2 charter school. As of July 1, 2017, the School converted to a Type 1 charter school. Under this charter, Bogalusa City School Board is responsible for the oversight of the School. The School has a Board of Directors serving on a voluntary basis which governs the School’s finances, operations, and administration. The School serves eligible students in kindergarten through the twelfth grade.

Financial Statement Presentation

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

Net Assets

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

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

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

Basis of Accounting

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

Northshore Charter School

Notes to Financial Statements

Use of Estimates

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

Reclassifications

Certain revenue and expense accounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. These reclassifications had no effect on net assets.

Functional Allocation of Expenses

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

The functional expenses presented for the year ended June 30, 2018 is summarized and is not a complete presentation in conformity with Generally Accepted Accounting Principles.

Cash and Cash Equivalents

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

Prepaid Expenses

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

Property and Equipment

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

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency.

Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenues or expenses.

Northshore Charter School

Notes to Financial Statements

Receivables

Grants receivable consist of federal and state funds passed through Bogalusa City School Board. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the entity, the School's relationship with the entity, and the age of the receivable balance. As a result of these reviews, management has deemed all receivables at June 30, 2019 to be collectible, and \$66,499 to be uncollectible and charged to the allowance for doubtful accounts at June 30, 2018.

Revenues

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

Compensated Absences

Employees earn 10 days paid leave per year to be used in the event of their own illness, an immediate family member's illness, bereavement, visits to required medical practitioners, or personal business. Unused leave can be carried from one year to the next, not to exceed 90 days. Upon retirement and/or death, an employee will be paid any unused leave not to exceed 300 hours. At June 30, 2019 and 2018, the School had accrued compensated absences of \$186,722 and \$228,433, respectively. The liability is reflected in the statement of financial position as a noncurrent liability. Only the compensated absences payable to current terminating employees are reported as current liabilities.

Marketing

Marketing costs are expensed as incurred and reported as general administrative expenses. Marketing expense was \$3,993 and \$13,195 for the years ended June 30, 2019 and 2018, respectively.

Income Taxes

The School has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, the School is no longer subject to federal or state examinations by tax authorities for years prior to 2016.

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

New Pronouncements

- In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, leases will continue to be differentiated between finance leases and operating leases. However, the principal difference from previous guidance is that a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for financing leases in addition to operating leases with a term of twelve months or more. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019.

Northshore Charter School

Notes to Financial Statements

Management is currently evaluating the impact ASU 2016-02 will have on the School's financial statements.

- On June 21, 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in the update should be applied on a modified prospective basis. Retrospective application is permitted. Management has not yet evaluated the impact this standard will have on its financial statements and related disclosures, including the selection of a transition method.

2. Restatement of Net Assets

Change in Accounting Principle

Effective January 1, 2018, the School adopted FASB Accounting Standards Update (the "ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The School has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to the functional allocation of expenses were included in the accompanying statement of functional expenses. The impact of the adoption of ASU No. 2016-14 on the School's net assets are as follows:

	As Previously Stated 06/30/18	Adjustment Change in Accounting Principle	As Restated 06/30/18
Statement of Financial Position			
Unrestricted net assets	\$ 655,803	\$ (655,803)	\$ -
Without donor restrictions	-	655,803	655,803
	<u>\$ 655,803</u>	<u>\$ -</u>	<u>\$ 655,803</u>
Statement of Activities and Changes in Net Assets			
Change in unrestricted net assets	\$ (559,858)	\$ 559,858	\$ -
Change in net assets without donor restrictions	-	(559,858)	(559,858)
	<u>\$ (559,858)</u>	<u>\$ -</u>	<u>\$ (559,858)</u>

Northshore Charter School

Notes to Financial Statements

3. Liquidity and Availability of Financial Assets

The School has \$895,893 of financial assets available within one year of the statement of financial position date to meet cash needs for general and operating expenditures, consisting of cash of \$323,006 and grants receivable of \$572,887. There are no amounts unavailable for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date.

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

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures, and equipment	\$ 437,765	\$ 437,765
Leasehold improvements	617,319	617,319
	<u>1,055,084</u>	<u>1,055,084</u>
Less: accumulated depreciation	<u>(507,627)</u>	<u>(394,506)</u>
	<u><u>\$ 547,457</u></u>	<u><u>\$ 660,578</u></u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$113,121 and \$124,070, respectively.

5. Retirement Plans

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

Teachers' Retirement System of Louisiana

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

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

Northshore Charter School

Notes to Financial Statements

Participants are required to contribute 8.00% of their annual covered payroll to the TRSL. The School is required to contribute at an actuarially determined rate. The rate was 26.70% and 26.60% of annual eligible covered payroll for the years ended June 30, 2019 and 2018, respectively. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to TRSL were \$813,698 and \$928,052 for the years ended June 30, 2019 and 2018, respectively, and are included in employee benefits on the statement of functional expenses.

Louisiana School Employees' Retirement System

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

Participants vest immediately in employee contributions to the plan. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute.

Plan members are required to contribute 8.00% of their annual covered salary, and employers contributed 28.00% and 27.60% of annual eligible covered payroll for the years ended June 30, 2019 and 2018, respectively. Member contributions and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to LSERS were \$42,369 and \$66,490 for the years ended June 30, 2019 and 2018, respectively.

6. Contingency

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

7. Commitments

Operating Leases

On May 22, 2014, as amended in September 2018, the School entered into an operating lease agreement for modular buildings. The term of the lease is 72 months with equal monthly payments of \$11,853 beginning August 2014 with the final payment due July 2021.

Northshore Charter School

Notes to Financial Statements

On April 8, 2015, the School entered into an operating lease agreement for a modular building. The term of the lease is 60 months with equal monthly payments of \$6,951 beginning July 2015 with the final payment due June 2020.

In March 2016, the School entered into an operating lease agreement for a modular building. The term of the lease is 60 months with equal monthly payments of \$5,790 beginning July 2016 with the final payment due June 2021.

Future minimum payments under these agreements are as follows:

<u>For the Year</u> <u>Ended June 30:</u>	<u>Amount</u>
2020	\$ 295,128
2021	81,333
	<u>\$ 376,461</u>

Offer Letters

The School has offer letters with most of its employees. The offer letters for the current year expired June 30, 2019. All offer letters provide for a minimum annual salary and other benefits.

8. Shared Services Agreement

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

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

Northshore Charter School

Notes to Financial Statements

9. Board Member Compensation

<u>Board Member</u>	<u>Amount</u>
Reginald "Bubba" Bourne	\$ -
Belinda Ikerd	-
Lisa Miles	-
Christy Montgomery	-
Roosevelt Ludd	-
Cindy Bourne	-
Tiye Yayu	-
	<u>\$ -</u>

10. Subsequent Events

Management has evaluated subsequent events through December 20, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

Northshore Charter School
Schedule of Compensation, Benefits, and Other Payments to School Head
For the Year Ended June 30, 2019

School Head: Linda McCullough
Position: Principal

Purpose	Amount
Salary	\$ 95,000
Benefits - insurance	11,108
Benefits - retirement	25,365
Reimbursements	3,341
Registration fees	80
	<u>\$ 134,894</u>

***Statewide Agreed-Upon Procedures
Required by Louisiana State Law***

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Northshore Charter School (the "School") and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the School's compliance with certain laws and regulations for the year ended June 30, 2019. 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 results are as follows:

Written Policies and Procedures

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

-
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - 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) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results

No exceptions noted.

Board or Finance Committee

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

Results

The School's public funds comprised of more than 10% of revenues during the fiscal period. The Board of Directors met monthly during the fiscal year; however, the minutes did not reference or include activity relating to public funds.

Bank Reconciliations

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

Results

No exceptions noted.

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).
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.
 - 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.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

Results

No exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.
-

Results

No exceptions noted.

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

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

Results

The May 2019 credit card statement was selected for testing. Our testing indicated an interest charge of \$15.57 and a late fee of \$25.00.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

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- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results

No exceptions noted.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law.
 - c) If the contract was amended, observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results

No exceptions noted.

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.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

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

Results

No exceptions noted.

Ethics

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

Results

Not applicable for non-profit organizations.

Debt Service

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

Results

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

Other

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

Results

Per management's representations, there have been no misappropriations during the fiscal year ended June 30, 2019 or through date of this report.

The School has not posted a notice concerning the reporting of misappropriation, fraud, waste, or abuse of public funds on its premises or website.

Results

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

1. ***Board or Finance Committee***
The School's public funds comprised of more than 10% of revenues during the fiscal period. The Board of Directors met monthly during the fiscal year; however, the minutes did not reference or include activity relating to public funds.
2. ***Credit Card***
The May 2019 statement was selected for testing. Our testing indicated an interest charge of \$15.57 and a late fee of \$25.00.
3. ***Other***
The School has not posted a notice concerning the reporting of misappropriation, fraud, waste, or abuse of public funds on its premises or website.

Management's Response and Corrective Actions

1. The School's board meeting agenda will now include allotted time to discuss public funds and document those discussions within the minutes of meetings.
2. The School will implement procedures to ensure the credit card is paid timely to avoid future interest and late fees.
3. The School will post the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds within the teacher's lounge and breakroom.

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*. 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 control and compliance areas identified in the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Piniell J. Martineau, LLC". The signature is written in a cursive style with a large initial "P".

Covington, Louisiana
December 20, 2019

***Schedules Required by Louisiana State Law
(R.S. 24:514 – Performance and Statistical Data)***

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Northshore Charter School (the "School"), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the "specified users") solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education ("BESE") Bulletin, in compliance with Louisiana Revised Statute 24:514.I. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules of performance and statistical data are as follows:

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

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

Class Size Characteristics (Schedule 2)

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

Education Levels of Public School Staff (No Schedule)

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

Results

A teacher was documented as having eleven years of teaching experience. However, management confirmed only the four years of teaching experience occurring within Louisiana. Seven years of teaching experience in Mississippi was not confirmed.

Public School Staff Data: Average Salaries (No Schedule)

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

Results

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

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

A teacher was documented as having eleven years of teaching experience. However, management confirmed only the four years of teaching experience the occurred within Louisiana. Seven years of teaching experience in Mississippi was not confirmed.

Management's Response and Correction Action

1. The School will implement policies to ensure all teachers prior experience, including out-of-state experience, is confirmed and documented.

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

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

Pinell : Martiney, LLC

Covington, Louisiana
December 20, 2019

Northshore Charter School
General Fund Instructional and Support Expenditures
and Certain Local Revenue
For the Year Ended June 30, 2019

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 1,580,543
Other Instructional Staff Salaries	290,966
Instructional Staff Employee Benefits	1,066,185
Purchased Professional and Technical Services	-
Instructional Materials and Supplies	72,381
Instructional Equipment	-
Total Teacher and Student Interaction Activities	<u>3,010,075</u>

Other Instructional Activities

-

Pupil Support Services

284,787

Less: Equipment for Pupil Support Services

-

Net Pupil Support Services

284,787

Instructional Staff Services

144,884

Less: Equipment for Instructional Staff Services

-

Net Instructional Staff Services

144,884

School Administration

727,408

Less: Equipment for School Administration

-

Net School Administration

727,408

Total General Fund Instructional Expenditures

\$ 4,167,154

Total General Fund Equipment Expenditures

\$ -

Certain Local Revenue Sources

Local Taxation Revenue

\$ -

Local Earnings on Investment in Real Property

-

State Revenue in Lieu of Taxes

-

Nonpublic Textbook Revenue

-

Nonpublic Transportation Revenue

-

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

Northshore Charter School
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
Combination	43%	10	43%	10	14%	3	0%	0

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

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

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northshore Charter School (the “School”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2019-1** and **2019-2** that we consider to be material weaknesses.

Compliance and Other Matters

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

Northshore Charter School's Response to Findings

The School's response to the findings identified in our audit is described in the letter following the summary of auditor's results and schedule of findings. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Covington, Louisiana
December 20, 2019

**Northshore Charter School
 Summary of Auditor's Results and Schedule of Findings
 For the Year Ended June 30, 2019**

A. Summary of Audit Results

Financial Statements

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

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

2019-1 Material Weakness: Disbursements

Criteria

The School provided a teacher with a rental car for travel to a conference during the 2018 fiscal year. However, the teacher submitted a mileage reimbursement request for \$1,424 which management paid. Management detected the overpayment during the 2019 fiscal year and recouped the \$1,424.

An employee notified management that she closed her bank account at Capital One and did not receive her direct deposit; therefore, management issued the employee a paper check. However, the direct deposit to Capital One cleared. This resulted in the employee being overpaid by \$1,220 during the 2018 fiscal year. The overpayment was detected during the 2019 fiscal year, and the employee has since reimbursed the School \$1,220.

Condition

An important element of internal control over disbursements is for management to review supporting documentation before a disbursement is made to ensure the disbursement is proper and accurate.

Cause

Insufficient review of documentation prior to making disbursements.

Effect

Disallowed disbursements totaling \$2,644 were made during the 2018 fiscal year; nevertheless, management recouped the funds in the 2019 fiscal year.

**Northshore Charter School
Summary of Auditor's Results and Schedule of Findings
For the Year Ended June 30, 2019**

Recommendation

We recommend management to obtain all supporting documentation and review the documentation for accuracy prior to making a disbursement.

Management's Response and Corrective Action Plan

See management's response and corrective action plan in the attached letter.

2019-2 Material Weakness: Late Submission of Employee Benefit Payments

Criteria

The School failed to submit employee benefits in a timely manner. Employees' portion of retirement withholdings totaling \$34,107 from the 2018 fiscal year; employer's portion of retirement benefits totaling \$114,353 from the 2018 fiscal year; and employer's portion of retirement contributions totaling \$78,916 from the 2019 fiscal year (total of \$227,377) was submitted July 23, 2019.

Health insurance premiums for the months of May and June 2019 totaling \$98,222 were submitted on August 12, 2019.

Condition

Retirement withholdings and contributions should be submitted timely to ensure employees' retirement accounts are earning the correct amount of interest. Health insurance premiums must be submitted timely to ensure no interruption in coverage.

Cause

Lack of oversight by the School to ensure benefit payments are being made timely and accurately.

Effect

Employees' retirement accounts may have accumulated more earnings if retirement withholdings and contributions were submitted timely.

Recommendation

We recommend management to review payroll related items each pay period to ensure all withholdings and contributions are submitted timely.



December 20, 2019

Louisiana Legislative Auditor

Northshore Charter School respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Pinell & Martinez, LLC
308 S. Tyler Street, Suite 2
Covington, LA 70433

Audit Period: July 1, 2018 – June 30, 2019

The findings from the June 30, 2019 schedule of findings are discussed below. The findings are numbered consistently with the number assigned in the schedule.

SECTION II FINDINGS – FINANCIAL STATEMENTS AUDIT

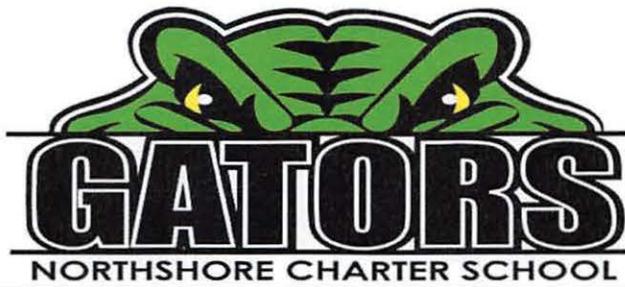
Finding 2019-1 Material Weakness: Disbursements

Recommendation: We recommend management to obtain all supporting documentation and review the documentation for accuracy prior to making a disbursement.

Management's Response and Corrective Action Plan: Management will obtain and review all supporting documentation prior to approving disbursements. Travel reimbursement requests must include all details of travel including registration for conferences, lodging, meals, and transportation details.

Finding 2019-2 Material Weakness: Late Submission of Employee Benefit Payments

Recommendation: We recommend management review payroll related items each pay period to ensure all withholdings and contributions are submitted timely.



111 Walker St. Bogalusa, LA 70427 | 985.732.0005 | www.northshorecharterschool.org

Management's Response and Corrective Action Plan: Payroll related items will be reviewed each pay period by management. Benefit payments will be made as soon as possible after month end contribution reports are prepared. (Retirement contributions are due to TRSL and LSERS by the 15th of the following month.)

If there are any questions regarding this plan, please contact Felicia Workman, Chief Operations Officer, at 985-732-0005.

Sincerely,

Felicia Workman COO

Signature/Title

Northshore Charter School
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2019

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

2018-1 Material Weakness: Bank Reconciliation

Condition and Criteria

An important element of internal control over cash is the reconciliation process which enables the School's management to identify differences between the bank and general ledger balances and resolve such differences in a timely manner.

Management completes the monthly bank reconciliations manually rather than utilizing the reconciliation function within the accounting software. Our audit testing indicated two errors on the bank reconciliation. An audit adjustment was necessary to remove an outstanding check which increased cash and decreased expenses by \$91,433. An outstanding disbursement for \$3,511 could not be traced to supporting documentation.

Cause

The bank reconciliations are completed manually increasing the likelihood of misstatements caused by human error. Our testing indicated an invoice for \$91,433 was initially paid by check but an ACH was made afterwards – the check was never voided. The \$3,511 item could not be traced to supporting documentation.

Effect

Without an accurate reconciliation of cash, there is an increased risk of material errors and misappropriation of assets.

Recommendation

We recommended management to reconcile the monthly bank statements using the accounting software and ensure outstanding items are researched and, if necessary, removed from the listing. The individual who reviews the bank reconciliations should review items that are outstanding for more than 90 days before approving.

Update

This finding was addressed by management.

2018-2 Significant Deficiency: Payroll

Condition and Criteria

An important element of internal control over payroll related disbursements is the ability for management to monitor and document employee time. Our audit testing for the June 30, 2018 audit indicated the following:

- An employee signed out at 11:30am; however, no documented approval for leave was on file and leave was not reported on the employee's paystub.
- A teacher received hourly compensation for tutoring in addition to her approved salary; however, no timesheet documenting the teacher's hours spent tutoring was on file.

Northshore Charter School

Summary Schedule of Prior Year Findings

For the Year Ended June 30, 2019

- A substitute teacher received compensation for working 6.5 hours; however, no timesheet documenting the hours worked was on file.
- We noted that sign out sheets are not being completed by employees on a consistent basis.

Cause

A lack of enforcement of the School's timekeeping and leave policies.

Effect

Without knowing if employees did or did not work the full day, the School may be paying employees for time not worked. In addition, employees' accrued leave balance may be overstated.

Recommendation

We recommended management to begin enforcing the School's timekeeping and leave policies by holding employees accountable for failing to properly document leave taken and/or not signing in and out. An electronic scan card system may make the process of signing in and out simpler, if it is economically feasible.

Update

This finding was addressed by management.

2018-3 Compliance: School Activity Fund Disbursements

Condition and Criteria

While Louisiana Statute allows the principal and/or appropriate designee to have some discretion over the purposes for which the unrestricted school activity funds may be spent, this discretion is not unfettered. Louisiana Attorney General Opinion No. 90-609 states: "The statute limits the principal's discretion to expenditures which benefit the educational purposes of the school...and prohibits any gratuitous expenditures of school fund for non-educational purposes..."

In addition, separate records or ledgers must be maintained for each of the following sources of deposits into the school fund account:

- a) Each club, organization, association, class, athletic team, or other organizational unit within the school that generates money by collecting dues, conducting fundraisers, charging admission, or generating money by other activity.
- b) Each donation made to the school by an entity outside the school, whether it be a parents' club, community, business, or civic organization, or other donor, when the donation is made for a specific or restricted use or purpose.
- c) All donations made by any entity referred to in Subparagraphs (a) and (b) of La. R.S. 17:414.3(B)(2), as well as all monies raised by the school population generally that are unrestricted and that are intended for discretionary use to benefit the school, its students, faculty, employees, programs, or facilities.
- d) All monies raised in a school-wide effort for a specific use or purpose.
- e) Any other money source, temporary or permanent, that is identifiable, approved by the principal, and for which a record or ledger should be maintained.

Northshore Charter School

Summary Schedule of Prior Year Findings

For the Year Ended June 30, 2019

Our testing during the June 30, 2018 audit indicated:

- The School held a staff party at Dave and Busters in New Orleans totaling \$3,570. \$1,715 was paid directly to Dave and Busters, and \$1,855 was reimbursed to the School's chief operations officer.
- The School paid for an invoice addressed to the chief operations officer for an annual membership to Bogalusa Rotary Club totaling \$586.
- No sign-in sheets to document the attendance for lunches labeled as professional development
- Students were paid either \$25 or \$50 cash for obtaining a high LEAP test score at a total costs of \$3,500. The principal obtained the cash from the checking account and distributed the money. There is no detailed ledger on file to support the deposits raised for this specific purpose or a ledger with the details of the cash distributions.
- The School did not maintain a ledger of revenues and expenses for each club, event, organization, etc. paid for with the School's activity fund checking account.

Cause

Management did not conduct the necessary research (available on the Louisiana Attorney General and Louisiana Legislative Auditor's websites) to determine if an expense is allowable. In addition, the deposits made to the School's activity fund checking account were not properly assigned to a specific purpose, club, organization, or event within the accounting software.

Effect

The School's activity funds were used for unallowable expenses and proper records were not maintained.

Recommendation

We recommended management to separate deposits to the School's activity fund checking account by assigning the deposits and expenses to a "class" within the accounting software. This will allow management to determine the funds available for a specific club, purpose, event, organization, etc. In addition, management should conduct the necessary research to determine if an expense is allowable.

Update

This finding was addressed by management.