

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 Democracy Prep Louisiana Charter School as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Awards*, and Schedule of Compensation, Benefits and other Payments to the School Leader, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data and the Statewide Agreed Upon Procedures are not a required part of the basic financial statements but are supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of Democracy Prep Louisiana Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the 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 Democracy Prep Louisiana Charter School's internal control over financial reporting and compliance.

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

November 27, 2019

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	RESTATED 2018
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 654,996	\$ 188
Accounts receivable, net	300,713	138,201
Due from management company	-	406,881
Other current assets	20,794	30,473
Total Current Assets	<u>976,503</u>	<u>575,743</u>
Property and Equipment		
Furniture and fixtures	292,726	180,490
Equipment	253,697	144,102
Musical instruments	22,816	22,816
Leasehold improvements	200,983	230,193
	<u>770,222</u>	<u>577,601</u>
Accumulated depreciation	(276,480)	(150,461)
Total Property and Equipment	<u>493,742</u>	<u>427,140</u>
Total Assets	<u>\$ 1,470,245</u>	<u>\$ 1,002,883</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Checks written in excess of cash	\$ -	\$ 30,778
Accounts payable	862,060	451,368
Accrued salaries and benefits	183,293	-
Current portion of capital lease	-	1,061
Due to management company	-	559,522
Other current liabilities	-	6,052
Total Current Liabilities	<u>1,045,353</u>	<u>1,048,781</u>
Total Liabilities	1,045,353	1,048,781
Net Assets Without Donor Restrictions	<u>424,892</u>	<u>(45,898)</u>
Total Liabilities and Net Assets	<u>\$ 1,470,245</u>	<u>\$ 1,002,883</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	RESTATED 2018
REVENUES		
Minimum Foundation Program	\$ 5,465,699	\$ 4,174,090
Federal grants	1,194,072	712,072
State grants	16,547	5,391
Other grants	43,243	202,681
Contributions	5,000	405
Forgiveness of debt	783,123	-
Other income	5	3,976
Total Revenues	<u>7,507,689</u>	<u>5,098,615</u>
EXPENSES		
Program services	6,073,836	4,367,325
Management and general	963,063	933,713
Total Expenses	7,036,899	5,301,038
CHANGE IN NET ASSETS	470,790	(202,423)
Net assets - beginning of year	(45,898)	156,525
Net assets - end of year	<u>\$ 424,892</u>	<u>\$ (45,898)</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Management & General	Total
Contract Services	\$ 254,402	\$ 84,801	\$ 339,203
Curriculum materials and software	355,573	-	355,573
Depreciation	100,814	25,204	126,018
Employee benefits	221,742	73,914	295,656
Food service	454,224	-	454,224
Insurance	70,357	17,589	87,946
Legal and Professional	424,164	424,164	848,328
Licenses and Fees	6,322	6,322	12,644
Office Expense	19,759	6,586	26,345
Other	26,830	718	27,548
Payroll Taxes	200,412	22,268	222,680
Professional Development	111,435	-	111,435
Recruiting and Marketing	37,584	-	37,584
Repairs and Maintenance	150,554	37,638	188,192
Salaries	2,654,774	201,630	2,856,404
Student Transportation	728,550	-	728,550
Technology and Computer	22,729	10,500	33,229
Telephone	43,798	10,950	54,748
Travel	50,475	5,944	56,419
Utilities	139,338	34,835	174,173
	<u>\$ 6,073,836</u>	<u>\$ 963,063</u>	<u>\$ 7,036,899</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 - RESTATED**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Curriculum materials and software	\$ 258,826	\$ -	\$ 258,826
Depreciation	72,202	18,051	90,253
Employee benefits	200,277	66,759	267,036
Food service	298,623	-	298,623
Insurance	53,307	13,327	66,634
Legal and Professional	32,012	488,116	520,128
Licenses and Fees	10,015	10,015	20,030
Office Expense	48,755	16,252	65,007
Other	30,130	85	30,215
Payroll Taxes	167,146	18,572	185,718
Professional Development	46,422	-	46,422
Recruiting and Marketing	73,473	-	73,473
Repairs and Maintenance	96,822	24,206	121,028
Salaries	2,101,648	223,167	2,324,815
Student Transportation	587,662	-	587,662
Technology and Computer	28,304	8,277	36,581
Telephone	26,639	6,657	33,296
Travel	116,668	10,630	127,298
Utilities	118,394	29,599	147,993
	<u>\$ 4,367,325</u>	<u>\$ 933,713</u>	<u>\$ 5,301,038</u>

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	RESTATED 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 470,790	\$ (202,423)
<u>Adjustments to reconcile net revenues over expenses to net cash provided by (used in) operating activities:</u>		
Depreciation	126,018	90,253
(Increase) Decrease in accounts receivable	(162,512)	8,203
(Increase) Decrease in due from management company	406,881	(406,881)
Decrease in other current assets	9,679	12,653
Increase in accounts payable	410,692	147,051
(Decrease) Increase in accrued salaries and benefits	183,293	(7,271)
(Decrease) Increase in other current liabilities	(6,052)	2,135
(Decrease) Increase in due to management company	(559,522)	343,865
(Decrease) Increase in checks written in excess of cash	(30,778)	30,778
Total adjustments	377,699	220,786
Net cash provided by operating activities	848,489	18,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to the acquisition of capital assets	(221,831)	(214,105)
Proceeds related to the disposal of capitalized assets	29,211	-
Net cash used in financing activities	(192,620)	(214,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(1,061)	(12,603)
Net cash used in investing activities	(1,061)	(12,603)
INCREASE (DECREASE) IN CASH	654,808	(208,345)
CASH, BEGINNING OF YEAR	188	208,533
CASH, END OF YEAR	654,996	188

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 & 2018**

1. Summary of Significant Accounting Policies

(a) Organization

Democracy Prep Louisiana Charter School (the School) was incorporated on August 12, 2013 as a non-profit corporation under the laws of the State of Louisiana. The School operates under a Type 5 charter approved by the Louisiana board of Elementary and Secondary Education (BESE) that expired on June 30, 2019. The charter was renewed on July 01, 2019 that will expire on June 30, 2020 and may be renewed for successive periods. The School had kindergarten through eighth grades for the 2018-2019 school year.

(b) Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal and state funds are passed through the Louisiana Department of Education.

(d) Net Assets

The School reports information regarding its financial positions and activities according to two classes of net assets.

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions. The School does not have any net assets with donor restrictions for the year ended June 30, 2019.

(e) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

(f) Accounts and Grants Receivable

Management has determined that there were no balances recorded that were uncollectible as of June 30, 2019 and 2018.

(g) Functional Expenses

The School allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program, such as curriculum supplies, are allocated directly according to their natural expense classification. Other expenses that are attributable to both the program and supporting functions are allocated based on management's estimates of time and effort.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 & 2018**

1. Summary of Significant Accounting Policies (continued)

(h) Income Taxes

The School accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The School files information returns in the U.S. federal jurisdiction and in the State of Louisiana. The School is no longer subject to federal information return examinations by tax authorities for years before 2015.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 27, 2019, which is the date the financial statements were available to be issued.

(k) Reclassification

Certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

(l) Recently Issued Account Standards

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires the disclosure of its liquid available resources to both quantitative and qualitative information about the availability of and how the organization manages meet cash needs for general expenditures within one year of the balance sheet date.

2. Concentrations

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Amounts in excess of insured limits at June 30, 2019 and 2018 were \$614,102 and \$0, respectively. The School does not believe that it is exposed to any significant credit risk on uninsured amounts.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2019 & 2018**

2. Concentrations (continued)

The School receives the majority of its operating revenue from the Louisiana Department of Education in the form of Minimum Foundation Program funding. The School also receives funding from federal and state agencies under various programs and private foundations. The percentage of revenue and receivables over 10% from these sources is as follows:

	Revenue	Receivables
2019		
MFP	80%	N/A
Title 1A	N/A	27%
TSLP	N/A	54%
IDEA	N/A	11%
2018		
MFP	82%	N/A
Title 1A	N/A	32%
TSLP	N/A	35%
Federal Food Service	N/A	33%

3. Leases

For the year ended June 30, 2019 and 2018 the School occupied a building that was owned by East Baton Rouge Parish Schools and the Recovery School District and therefore did not have a monthly lease payment. In exchange for occupying the building at no cost, the School received lower MFP funding per student.

4. Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. The School capitalizes all expenditures of depreciable assets where cost exceeds \$1,000. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of the assets, which is generally three to seven years. Depreciation expense at June 30, 2019 and 2018 was \$126,018 and \$90,253, respectively

All property and equipment purchased with Louisiana Department of Education funds are owned by the School. However, these assets would revert back to the Louisiana Department of Education should the charter not be renewed.

5. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 & 2018**

6. Retirement Plan

The School offers a 403(b) retirement plan for eligible employees. Eligibility to participate in the plan is based on the employee's age, length of service, and various other factors. For those that are eligible, the School will matchup to 5% of the employee's contributions for the first five years, 6% for the sixth year, and 1% annually thereafter until 15%. The School does not participate in the Teacher's Retirement System of Louisiana (TRSL).

For the years ended June 30, 2019 & 2018 the amounts paid related to the School's retirement plan were \$70,136 and \$70,490 respectively.

7. Management Company

The School has an agreement with Democracy Prep Public School (DPPS) to provide a school curriculum and model, as well as, management, accounting, and other services. Per the agreement the fee for these services is 14% of non-competitive public revenue received by the School and will decrease one half percentage point each year until it reaches a minimum of 12%. The fee rate at June 30, 2019 and 2018 was 13.5% and 14%, respectively. Per the agreement, the fee is to be paid monthly but payment may be postponed if necessary to provide the School adequate cash flows to support operations.

The management fee at June 30, 2019 and 2018 was \$832,961 and \$264,902, respectively.

8. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:

Cash	\$ 654,996
Accounts Receivable, net	300,713
Financial Assets Available for General Expenditures	<u>\$ 955,709</u>

As part of the School's liquidity management, cash is kept in a checking account that can be accessed to meet daily needs of the organization. These funds can also be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

9. Forgiveness of Debt

The School has a management agreement with DPPS that calls for a fee based on a percentage of total Non-Competitive Public Revenue. During the current fiscal year the School entered into a separate agreement with DPPS in which all outstanding debts due to DPPS, as of June 30, 2019, were reduced to \$300,000. As a result, the School recognized \$783,123 in revenue in the form of loan forgiveness for the year ended June 30, 2019. The remaining \$300,000 is accrued as a payable at year end.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 & 2018**

10. Prior Period Adjustment

An error resulting in the misstatement of financial statement categories as presented below in the June 30, 2018 financial statements were identified during the current year. This error was related to management's misunderstanding pertaining to the calculation of the CMO management fee. This misunderstanding lead to an overstatement of net assets.

Accordingly, the School restated its financial statements for the year ended June 30, 2018 to correct this error. The effect of this restatement on the individual account balances are as follows:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>June 30, 2018 As Restated</u>
Due to management company	\$ 447,352	\$ 112,170	\$ 559,522
Legal and professional expense	\$ 407,958	\$ 112,170	\$ 520,128
Net assets without donor restrictions	\$ 66,272	\$ (112,170)	\$ (45,898)

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity	Passed Through to Sub recipients	Total Federal Expenditures
U.S. Department of Agriculture direct programs:				
National School Lunch Program	10.555	La. Dept. of Education	N/A	\$ 506,237
Total U.S. Department of Agriculture				506,237
U.S. Department of Education direct programs:				
Special Education Grants to States	84.027	La. Dept. of Education	N/A	130,001
Title 1 Grants to Local Educational Agencies	84.010	La. Dept. of Education	N/A	381,584
School Improvement Grants	84.377	La. Dept. of Education	N/A	137,911
Supporting Effective Instruction State Grants	84.367	La. Dept. of Education	N/A	38,339
Total U.S. Department of Education				687,835
Total Expenditures of Federal Awards				\$ 1,194,072

See accompanying notes to schedule of expenditures of federal awards.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Democracy Prep Louisiana Charter School (the School) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

The School is reimbursed for actual costs incurred and does not apply an indirect cost rate.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2019**

School Leader (Executive Director)	M. Gieg
Salary	\$ 120,750
DREAM Day Buyout	400
Benefits - insurance	21,579
Benefits - Retirement	6,037
	<hr/>
	\$ 148,766
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DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

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 Democracy Prep Louisiana Charter School (a non-profit organization) dba Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, statements of 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 November 27, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Democracy Prep Louisiana Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication 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. This report is intended solely for the information and use of the audit committee, management, and others within the organization, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

November 27, 2019

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

To the Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

We have audited Democracy Prep Louisiana Charter School dab Democracy Prep Baton Rouge Charter School (Hereafter Democracy Prep Louisiana Charter School) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Democracy Prep Louisiana Charter School's major federal programs for the year ended June 30, 2019. Democracy Prep Louisiana Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Democracy Prep Louisiana Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Democracy Prep Louisiana Charter School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination on Democracy Prep Louisiana Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion Democracy Prep Louisiana Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

November 27, 2019

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD ENDED JUNE 30, 2019**

We have audited the financial statements of Democracy Prep dba Democracy Prep Louisiana Charter School as of June 30, 2019, and for the year then ended, and have issued our report thereon dated November 27, 2019. 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 and the provisions of the Uniform Guidance. Our audit of the consolidated financial statements as of June 30, 2019 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Consolidated Financial Statements

Internal Control			
Material Weaknesses	Yes	_____	No <u> X </u>
Significant Deficiencies	Yes	_____	No <u> X </u>
Compliance			
Compliance Material to Consolidated Financial Statements	Yes	_____	No <u> X </u>

B. Federal Awards

Internal Control			
Material Weaknesses	Yes	_____	No <u> X </u>
Significant Deficiencies	Yes	_____	No <u> X </u>
Type of Opinion on Compliance for Major Programs			<u> Unmodified </u>
Are there findings required to be reported in accordance with the Uniform Guidance	Yes	_____	No <u> X </u>
Was there a management letter issued	Yes	_____	No <u> X </u>

C. Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster		
10.555	National School Lunch Program		
Dollar threshold used to distinguish between Type A and Type B programs			<u> \$750,000 </u>
Is the auditee a 'low risk' auditee as defined by the Uniform Guidance	Yes	_____	No <u> X </u>

Findings - Financial Statement Audit

There are no findings for the year ended June 30, 2019.

Questioned Costs

There are no questioned costs for the year ended June 30, 2019.

See accompanying notes and independent auditors' report.

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Prior Year Audit Findings

There were no prior year audit findings.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Democracy Prep Louisiana Charter School Institute dba
Democracy Prep Louisiana Charter School
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the management of Democracy Prep Louisiana Charter School dba Democracy Prep Baton Rouge Charter School (hereafter Democracy Prep Louisiana Charter School) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Democracy Prep Louisiana Charter School 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 in compliance with Louisiana Revised Statute 24:514.1. Management of Democracy Prep Louisiana Charter School is responsible for its performance and statistical data. 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.

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

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

Procedure #1

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts on the Schedule:

- Total General Fund 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

Results of Procedure #1

In performing the testing on the sample of expenditures/revenues we noted two transactions that were inappropriately classified. All transactions tested were recorded in the appropriate amount.

Class Size Characteristics (Schedule 2)

Procedure #2

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

Results of Procedure #2

No discrepancies were noted between the classes reported on the Schedule and those in the roll books.

Education Levels/Experience of Public School Staff (No Schedule)

Procedure #3

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

Results of Procedure #3

No differences were noted between the PEP data information provided and the information in the personnel files.

Public School Staff Data: Average Salaries (No Schedule)

Procedure #4

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

Results of Procedure #4

No differences were noted between the salary information reported on the PEP data report provided by management and the supporting records.

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. 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 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.

This 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 Democracy Prep Louisiana Charter School, as required by Louisiana Revised Statute 24:514.1, 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.

Daigrepoint & Brian, APAC

Daigrepoint & Brian
Baton Rouge, LA

November 27, 2019

DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL
BATON ROUGE, LA

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. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL
BATON ROUGE, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2019**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$1,532,955	
Other Instructional Staff Activities	149,712	
Instructional Staff Employee Benefits	304,240	
Purchased Professional and Technical Services	382,843	
Instructional Materials and Supplies	208,255	
Instructional Equipment	<u>151,518</u>	
Total Teacher and Student Interaction Activities		\$2,729,523
Other Instructional Activities		-
Pupil Support Activities	21,395	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		21,395
Instructional Staff Services	553,164	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>553,164</u>
School Administration	751,758	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>751,758</u>
Total General Fund Instructional Expenditures (Total of Column B)		<u><u>\$4,055,840</u></u>
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		<u><u>\$ -</u></u>

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

**DEMOCRACY PREP LOUISIANA CHARTER SCHOOL dba
DEMOCRACY PREP BATON ROUGE CHARTER SCHOOL
BATON ROUGE, LA**

**Class Size Characteristics
As of October 1, 2018**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	7%	5	64%	46	15%	11	14%	10
Elementary Activity Classes	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High	0%	-	26%	8	74%	23	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	0%	-	0%	-	0%	-	0%	-
Combination Activity Classes	20%	5	44%	11	24%	6	12%	3

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.

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

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Democracy Prep Louisiana Charter School dba
Democracy Prep Baton Rouge Charter School
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the management of Democracy Prep Louisiana Charter School dba Democracy Prep Baton Rouge Charter School (the School) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. Note: Debt service requirements are not applicable to nonprofits.
- 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.

Exception: Policies and Procedures addressed all areas detailed above with the exception of k) Disaster Recovery/Business Continuity.

Management's Response: Democracy Prep Baton Rouge stores all of its data in the cloud with robust back-ups and its IT infrastructure includes anti-malware screening, timely acceptance and use of updates/patches, and its network technology team has knowledge of the critical personnel and processes needed for business continuity.

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.

Exception: The board did not meet with a quorum on a monthly basis.

Management's Response: We have reviewed this independent accountant's report on applying agreed-upon procedures and agree with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

- 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.*

Results: No exceptions noted as a result of applying these procedures.

- 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.

Results: No exceptions noted as a result of applying these procedures.

Bank Reconciliations

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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.

Collections

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

Results: No exceptions were noted as a result of applying these procedures.

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.

Results: No exceptions were noted as a result of applying these procedures.

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

Results: No exceptions were noted as a result of applying these procedures.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were noted as a result of applying these procedures.

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

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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

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

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - c) 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).

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

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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

Payroll and Personnel

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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.

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.

Exception: No employee/official selected completed one hour of ethics training.

- 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: No exceptions were noted as a result of applying these procedures.

Management's Response: We have reviewed this independent accountant's report on applying agreed-upon procedures and agree with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

Debt Service

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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.

Other

Note: In a prior year, no exceptions were noted as a result of applying these procedures. Therefore, we are not required to test these procedures in the current year.

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

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 engagement contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective

of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

November 27, 2019