

# Shreveport Charter Schools, Inc.

## FINANCIAL STATEMENTS

June 30, 2018 and 2017



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**Shreveport Charter Schools, Inc.**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Shreveport Charter Schools, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

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

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 Shreveport Charter Schools, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation Paid to the Board of Trustees and Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 on pages 18 to 20, are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. 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 January 31, 2019, on our consideration of Shreveport Charter Schools, Inc.'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 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 effectiveness of Shreveport Charter Schools, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Schools, Inc.'s internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
January 31, 2019

**Shreveport Charter Schools, Inc.**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash	\$ 462,359	\$ 850,547
Grants and other receivables	3,010,302	279,256
Prepaid expenses and other current assets	-	12,729
<b>Total current assets</b>	<b>3,472,661</b>	<b>1,142,532</b>
Property and equipment		
Furniture, fixtures and equipment	217,809	192,859
Playground equipment	24,800	24,800
Projects	25,000	-
Textbooks	208,222	-
Kitchen equipment	17,698	17,698
IT equipment	403,081	303,941
Title I equipment	129,673	43,950
Audio equipment	15,721	6,525
Less: accumulated depreciation	(477,299)	(347,057)
<b>Net property and equipment</b>	<b>564,705</b>	<b>242,716</b>
<b>Total assets</b>	<b>\$ 4,037,366</b>	<b>\$ 1,385,248</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 320,523	\$ -
Accrued expenses	413,596	146,653
Accrued payroll and benefits	370,163	347,102
<b>Total current liabilities</b>	<b>1,104,282</b>	<b>493,755</b>
<b>Total liabilities</b>	<b>1,104,282</b>	<b>493,755</b>
Net assets		
Unrestricted	2,933,084	891,493
<b>Total net assets</b>	<b>2,933,084</b>	<b>891,493</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,037,366</b>	<b>\$ 1,385,248</b>

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

**Shreveport Charter Schools, Inc.**  
**Statement of Activities**

<i>For the year ended June 30, 2018</i>	Unrestricted
Support and revenue	
State public school funding	\$ 8,954,713
Federal grants	864,486
Federal school lunch program	688,537
Other income	109,876
Interest income	86
Total support and revenue	10,617,698
Expenses	
Program services	
Regular program expenditures	2,970,243
Special education programs	395,607
Other instructional programs	68,816
Pupil support services	253,881
Instructional staff services	514,104
School administration	1,251,191
Operation and maintenance of plant services	601,403
Student transportation services	664,946
Food service operations	581,107
Management and general	
Business services	1,039,941
General administration	230,045
Central services	4,823
Total expenses	8,576,107
Change in net assets	2,041,591
Net assets, beginning of year	891,493
Net assets, end of year	\$ 2,933,084

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

**Shreveport Charter Schools, Inc.**  
**Statement of Activities**

<i>For the year ended June 30, 2017</i>	Unrestricted
Support and revenue	
State public school funding	\$ 6,654,693
Federal grants	485,748
Federal school lunch program	462,968
Other income	123,592
Total support and revenue	7,727,001
Expenses	
Program services	
Regular program expenditures	3,660,877
Special education programs	376,483
Other instructional programs	46,413
Pupil support services	222,140
Instructional staff services	205,113
School administration	1,307,798
Operation and maintenance of plant services	547,916
Student transportation services	542,357
Food service operations	355,782
Management and general	
Business services	618,809
General administration	117,758
Central services	2,413
Total expenses	8,003,859
Change in net assets	(276,858)
Net assets, beginning of year	1,168,351
Net assets, end of year	\$ 891,493

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

**Shreveport Charter Schools, Inc.**  
**Statements of Cash Flows**

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Change in net assets	<b>\$ 2,041,591</b>	\$ (276,858)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	<b>130,242</b>	103,159
(Increase) decrease in		
Grants and other receivables	<b>(2,731,046)</b>	(26,156)
Prepaid expenses and other current assets	<b>12,729</b>	43,020
Increase (decrease) in		
Accounts payable	<b>320,523</b>	-
Accrued expenses	<b>266,943</b>	(6,349)
Accrued payroll and benefits	<b>23,061</b>	41,024
Net cash provided by (used in) operating activities	<b>64,043</b>	(122,160)
Cash flows from investing activities		
Purchase of property and equipment	<b>(452,231)</b>	(142,597)
Net cash used in investing activities	<b>(452,231)</b>	(142,597)
Net increase (decrease) in cash	<b>(388,188)</b>	(264,757)
Cash - beginning of year	<b>850,547</b>	1,115,304
Cash - end of year	<b>\$ 462,359</b>	\$ 850,547

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

## Shreveport Charter Schools, Inc. Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shreveport Charter School, Inc., charter holder for Linwood Public Charter School, a nonprofit organization, was incorporated on January 27, 2009. Effective December 22, 2011, Shreveport Charter School, Inc. changed its corporate name to Shreveport Charter Schools, Inc. ("the School"). The School is an educational institution servicing grades K-4 and 6-8 for residents in Caddo Parish, Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective July 1, 2009, for an initial term of three years. BESE extended the charter for an additional two year period. BESE had the option to terminate or revoke the charter at any time if the School failed to comply with certain terms of the agreement. The charter allowed for a type 5 charter to be operated in the Louisiana Recovery School District, as defined in the LA R.S. 17:3992 and 3998. Effective July 1, 2014, BESE renewed the charter contract for three years through June 30, 2017. The charter was not extended beyond June 30, 2017.

Since the charter contract was not renewed, Shreveport Charter Schools, Inc. alternatively entered into a management agreement with the Louisiana Department of Education through its Recovery School District for the 2017 – 2018 school year to manage and operate the school effective as of July 1, 2017. The agreement terminated on June 30, 2018. Another management agreement with the Louisiana Department of Education through its Recovery School District is effective as of July 1, 2018. See Note 6 Subsequent Events.

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

#### ***Financial Statement Presentation***

The School has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for Profit Entities." Under FASB ASC 958, the School is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restriction. Accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the School for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***Basis of Accounting***

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents***

Cash consists of demand deposit balances and represents cash available for general operating purposes. The School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2018 or 2017.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School also had securities pledged on any cash deposits not secured by the FDIC. At June 30, 2018 and 2017, the School's deposits were fully insured or collateralized.

***Receivables***

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year.

***Contribution and Revenue Recognition***

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

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

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

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund.

***Property and Equipment***

All acquisitions of property and equipment and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (three to fifteen years). Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time this agreement is terminated. See Note 4.

***Income Taxes***

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from Louisiana state income taxes.

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the School's income tax returns. Management evaluated the School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance.

***Advertising Costs***

Advertising costs are charged to expense when incurred. Advertising expenses totaled \$51,051 and \$21,893 for the years ended June 30, 2018 and 2017, respectively.

***Compensated Absences***

Salaried non-contracted employees are provided between 10 - 25 days of paid time off annually, and may carry over any unused time off into the next year at the rate of one-half of the employee's annualized accrual rate plus the prior year's rollover balance.

**Shreveport Charter Schools, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***Use of Estimates***

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

***Reclassification***

Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU No. 2016-08, which clarifies the implementation guidance on principal versus agent considerations. The School has not yet selected a transition method and is currently evaluating the effects the standard will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

**Shreveport Charter Schools, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and related notes presented by a not-for-profit entity to: (a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes, (b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes, (c) provide enhanced disclosures in the notes to the financial statements, (d) report investment return net of external and direct internal investment expenses and (e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the Foundation for the year ending June 30, 2019. Retrospective application is required for many provisions of this guidance. The School is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

**NOTE 2: CONCENTRATIONS**

The School received 84% and 86%, respectively, of its total revenues from the State of Louisiana, subject to its charter school contract with the state for the years ended June 30, 2018 and 2017.

**NOTE 3: GRANTS AND OTHER RECEIVABLES**

At June 30, 2018 and 2017, grants and other receivables totaled \$3,010,302 and \$279,256, respectively, which were primarily for Minimum Foundation Program (MFP) funding and federal and state grants passed through the Louisiana Department of Education. The stated balances are considered fully collectible.

**NOTE 4: USE OF SCHOOL FACILITIES**

Effective July 1, 2009, the School entered into an agreement with the BESE, which allows the School to use the facilities and its contents located at 401 West 70<sup>th</sup> Street, Shreveport, Louisiana 71106. The agreement expired on June 30, 2012, and BESE granted extensions for an additional two years ending June 30, 2014, and for an additional three years ending June 30, 2017. Effective as of July 1, 2017, the School entered into a management agreement with the Louisiana Department of Education through its Recovery School District for the 2017 – 2018 school year which allowed for continued use of the school facilities and contents. The agreement terminated on June 30, 2018. A new management agreement with the Louisiana Department of Education through its Recovery School District is effective as of July 1, 2018 and allows the School to continue to operate for the 2018 – 2019 school year and continue to use its current facility. See Note 6 Subsequent Events.

**NOTE 4: USE OF SCHOOL FACILITIES (CONTINUED)**

The School is not required to provide for the type of extensive repair to buildings or facilities that would be considered to be a capital expense. Any physical additions or improvements to the property are required to be provided by the Caddo Parish School Board pursuant to LA R.S. 17:1990. Any assets acquired by the School are the property of the School for the duration of the management agreement. Upon termination of the agreement the School may retain cash on hand and assets necessary to carry out closeout operations for the school. The School shall transfer or dispose of assets and cash on hand attributable to public funding as directed by the Recovery School District. Capital assets acquired by the School with non-public funds will remain the property of the School. The School must maintain records of any cash and assets acquired with private funds that will remain the property of the School.

The School is responsible for all necessary maintenance and repairs to ensure that the facilities comply with all state and local fire, life, and safety codes and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from or related rent expense to Recovery School District. The value of the use of land and the building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in the future years has not been recorded.

Depreciation expense totaled \$130,242 and \$103,159, respectively, for the years ended June 30, 2018 and 2017.

**NOTE 5: RISK MANAGEMENT**

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2018 and 2017.

**NOTE 6: SUBSEQUENT EVENTS**

Effective as of July 1, 2018, Shreveport Charter Schools, Inc. entered into a Management Agreement with the Louisiana Department of Education through its Recovery School District to manage and operate the school under the oversight of the Recovery School District for the 2018 – 2019 school year. The agreement will terminate on June 30, 2019. At that time a new management agreement will be executed with Shreveport Charter Schools, Inc. or a new charter operator will be identified and take over management and operations of the School.

Management has evaluated all subsequent events through January 31, 2019, the date which the financial statements were available to be issued.

**NOTE 7: LITIGATION**

The School is named as a defendant in a lawsuit. The final outcome cannot be determined at this time and any potential liability cannot be reasonably estimated. As such, no amounts have been accrued in the accompanying financial statements. The School is insured for this case with a limit of \$3,500,000.

## **Supplemental Information**

**Shreveport Charter Schools, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>United States Department of Education</u>				
Passed through Louisiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	S010A170018	\$ -	\$ 639,015
Title I Grants to Local Educational Agencies	84.010	S010A160018	-	11,066
Total Title I Grants to Local Educational Agencies			-	650,081
Supporting Effective Instruction State Grants	84.367	S367A170017	-	47,553
Student Support and Academic Enrichment Program	84.424	S424A170019	-	7,403
Special Education Cluster				
Special Education - Grants to States	84.027	H027A170033	-	157,999
Special Education - Preschool Grants	84.173	H173A170082	-	1,449
Total Special Education Cluster			-	159,448
Total United States Department of Education			-	864,485
<u>United States Department of Agriculture</u>				
Passed through Louisiana Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	N/A	-	442,559
School Breakfast Program	10.553	N/A	-	245,978
Total Child Nutrition Cluster			-	688,537
Total United States Department of Agriculture			-	688,537
Total expenditures of federal awards			\$ -	\$ 1,553,022

*See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.*



**Shreveport Charter Schools, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2018**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shreveport Charter Schools, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures are recognized following the cost principles contained in the Uniform Guidance. The School has not elected to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**NOTE 4: SUBRECIPIENTS**

During the year ended June 30, 2018, Shreveport Charter Schools, Inc. had no subrecipients.

**NOTE 5: LOANS**

During the year ended June 30, 2018, Shreveport Charter Schools, Inc. did not expend federal awards related to loans or loan guarantees.



**Shreveport Charter Schools, Inc.  
Schedule of Compensation Paid to the Board of Trustees  
For the year ended June 30, 2018**

There was no compensation paid to the Board of Trustees for the year ended June 30, 2018.

*See Independent Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Schedule of Compensation, Benefits and Other Payments to Agency Head**  
**For the year ended June 30, 2018**

**Agency Head Name: Dr. Staughton Jennings, School Director**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 126,184
Benefits-insurance	11,941
Cell phone	3,019
Dues	30
Reimbursements	300
Travel	1,593
Registration fees	1,244
Conference travel	8,784
Other (including payments made by other parties on behalf of the agency head)	9,249

*See Independent Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Schedules Required by Louisiana State Law (R.S. 24:514)**  
**Performance and Statistical Data**  
**As of and for the year ended June 30, 2018**

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

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

**Schedule 2 – 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.

**Shreveport Charter Schools, Inc.**  
**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**  
**For the year ended June 30, 2018**  
**Schedule 1**

**General Fund Instructional and Equipment Expenditures**

General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 2,113,216	
Other Instructional Staff Activities	219,694	
Instructional Staff Employee Benefits	360,673	
Purchased Professional and Technical Services	5,073	
Instructional Materials and Supplies	352,004	
Instructional Equipment	114,896	
Total Teacher and Student Interaction Activities		\$ 3,165,556
Other Instructional Activities		-
Pupil Support Activities	253,782	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		253,782
Instructional Staff Services	514,104	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		514,104
School Administration	1,074,544	
Less: Equipment for School Administration	18,389	
Net School Administration		1,056,155
Total General Fund Instructional Expenditures		\$ 4,989,597
Total General Fund Equipment Expenditures		\$ 133,285

**Certain Local Revenue Sources**

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$	-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other Than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue	\$	-
Local Earnings on Investment in Real Property:		
Earnings from the 16th Section Property	\$	-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property	\$	-
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$	-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes	\$	-
Nonpublic Textbook Revenue	\$	-
Nonpublic Transportation Revenue	\$	-

*See Independent Auditors' Report.*

**Shreveport Charter Schools, Inc.**  
**Class Size Characteristics**  
**As of October 1, 2017**  
**Schedule 2**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	9%	15	54%	89	27%	44	10%	16
Elementary Activity Classes	46%	17	8%	3	24%	9	22%	8

**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.



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**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***

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, 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 Shreveport Charter Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shreveport Charter Schools, Inc.'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

### **Shreveport Charter Schools Inc.'s Responses to Findings**

Shreveport Charter Schools Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Shreveport Charter Schools Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
January 31, 2019



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

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana

### **Report on Compliance for Each Major Federal Program**

We have audited Shreveport Charter Schools, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shreveport Charter Schools, Inc.'s major federal programs for the year ended June 30, 2018. Shreveport Charter Schools, Inc.'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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Shreveport Charter Schools, Inc.'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 Shreveport Charter Schools, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shreveport Charter Schools, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Shreveport Charter Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of Shreveport Charter Schools, Inc. 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 Shreveport Charter Schools, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control over compliance.

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

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

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

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
January 31, 2019

**Shreveport Charter Schools, Inc.**  
**Schedule of Findings and Questioned Costs**

**Section I – Summary of Auditors’ Results**

Financial Statements  
Type of auditors’ report issued: Unmodified

Compliance and internal control over financial reporting:  
     Significant deficiency(ies) identified? No  
     Material weakness(es) identified? No  
     Noncompliance material to financial statements noted? No

Federal Awards  
Internal control over major programs:  
     Significant deficiency(ies) identified? No  
     Material weakness(es) identified? No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

CFDA Number	Name of Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000  
 Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

**Current Year Findings and Responses**

**2018-001 State Compliance**

Criteria: Louisiana Revised Statute 42:1124.3 requires each member of the management board of a charter school created pursuant to Chapter 42 of title 17 of the Louisiana Revised Statutes of 1950 to file a financial statement. The required financial statement shall be filed on a form prescribed by the Louisiana Board of Ethics (Tier 3 Personal Financial Disclosure Statement) and must be filled by May 15th of each year.

Condition: One Board Member did not complete and submit to the Louisiana Board of Ethics, a Tier 3 Personal Financial Disclosure Statement for 2017.

**Shreveport Charter Schools, Inc.**  
**Schedule of Findings and Questioned Costs**

**Section II – Financial Statement Findings Reported in Accordance with *Government Auditing Standards (Continued)***

Cause: The School does not have policies and procedures in place to ensure all board members complete and submit the Tier 3 Personal Financial Disclosure Statements timely.

Effect or Possible Effect: The School is not in compliance with Louisiana revised Statute 42:1124.3 Financial Disclosure: certain elected officials, voting districts of under five thousand.

Recommendation: We recommend that the School implement a schedule which includes the deadline for submission of the financial disclosure and ensure all board members have completed the form timely and the form is submitted to the Louisiana Board of Ethics by the required deadline. We also recommend that the School maintain a copy of each disclosure statement.

Views of Responsible Officials: The Board's president makes it a requirement that all members complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for each year. Only one of the Board Members failed to submit this statement to the Louisiana Board of Ethics timely.

**2018-002 Late Submission of Audit Report to the Legislative Auditor**

Criteria: R.S. 24:513 A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The School's audit report should be submitted to the Louisiana Legislative Auditor by December 31st each year.

Condition: The School's audit report for the fiscal year ended June 30, 2018 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Cause: Differences in Minimum Foundation Payment (MFP) funding between the School, Louisiana Department of Education and Recovery School District records which were not resolved until December 2018. This delayed the revenue testing and disrupted the audit plan. The Director of Federal Grants resigned shortly after year end. Single audit timelines had to be pushed back due to absence of this key member of the grants team. The School changed payroll providers after the fiscal year end which made it difficult to extract much needed payroll information to complete the audit schedules timely. The School changed financial management companies for the audited fiscal year. There were many new policies and procedures that required additional testing.

Effect or Possible Effect: The School's audit report was not submitted within the six month deadline as required by R.S. 24:513 (5)(a)(i).

Recommendation: We recommend that the School prepare a schedule and implement deadlines for obtaining and preparing items required for the audit.



**Shreveport Charter Schools, Inc.**  
**Schedule of Findings and Questioned Costs**

**Section II – Financial Statement Findings Reported in Accordance with *Government Auditing Standards* (Continued)**

Views of Responsible Officials: The school audit is usually completed by the deadline each year. However, due to many changes in 2017 – 2018, this audit was late.

**Section III – Federal Award Findings and Questioned Costs**

**Current Year Findings and Responses**

None

**Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

**2018-001 State Compliance**

Condition: One Board Member did not complete and submit to the Louisiana Board of Ethics, a Tier 3 Personal Financial Disclosure Statement for 2017.

Corrective Action Planned: The Board President will ensure that all Tier 3 Personal Financial Disclosure Statements are completed as well as, uploaded to the State timely. The school will also ensure that the deadline for filing these forms is adhered to.

Persons Responsible for Corrective Action: School and Board Members.

Anticipated Completion Date: Immediately.

**2018-002 Late Submission of Audit Report to the Legislative Auditor**

Condition: The School's audit report for the fiscal year ending June 30, 2018 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Corrective Action Planned: Going forward, annual audits will be completed timely.

Persons Responsible for Corrective Action: School's Business Office and Executive Director.

Anticipated Completion Date: On or by January 31, 2019.

**Federal Award Findings and Questioned Costs**

None



## Shreveport Charter Schools, Inc. Summary Schedule of Prior Audit Findings

### Financial Statement Findings Reported in Accordance with *Government Auditing Standards*

#### 2017-001 State Compliance

Fiscal Year in Which the Finding Initially Occurred: 2017

Condition: Four of the eight Board Members did not complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for 2016. Board Member Eligibility to Serve forms (Affirmation of Eligibility to Serve by a Charter School Governing Board Member) were not on file for eight Board Members.

Status: Partially resolved. See current year finding 2018-001. The Board's president makes it a requirement that all members are to complete and submit to the Louisiana Board of Ethics a Tier 3 Personal Financial Disclosure Statement for each year.

#### Federal Award Findings and Questioned Costs

#### 2017-002 Timesheets

Fiscal Year in Which the Finding Initially Occurred: 2017

Condition: Timesheets for three of the twenty-five payroll transactions selected for testing were not signed by a supervisor indicating approval. Timesheets were not prepared for one of the twenty-five payroll transactions.

Status: Resolved. Timesheets are reviewed by HR prior to payroll being entered into the system.



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## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

To the Board of Trustees  
Shreveport Charter Schools, Inc.  
Shreveport, Louisiana,  
the Louisiana Department of Education,  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Shreveport Charter Schools, Inc.; the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of Shreveport Charter Schools, Inc. for the fiscal year ended June 30, 2018 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. Management of Shreveport Charter Schools, Inc. is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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

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

Results: No exceptions were noted.

### Class Size Characteristics (Schedule 2)

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

Results: Three exceptions were noted in which the class was not properly classified on the schedule. Three exceptions were noted in which roll books were not available to observe that the class was properly classified on the schedule.

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

3. We obtained October 1<sup>st</sup> 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 prepared by management.

Results: No exceptions noted.

### Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30<sup>th</sup> PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed 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: Four exceptions were noted in which the individual's salary per the personnel file was not properly included on the listing prepared by management.

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

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
January 31, 2019

**Shreveport Charter Schools, Inc.  
Shreveport, Louisiana**

**STATEWIDE AGREED-UPON PROCEDURES REPORT**

**For the fiscal period July 1, 2017 through June 30, 2018**



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**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Trustees of Shreveport Charter Schools, Inc.  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees of Shreveport Charter Schools, Inc. ("the School") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 2 (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The School'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 results are as follows:

***Written Policies and Procedures***

1. Obtained and inspected the entity's written policies and procedures and observed 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.  
**Results:** No exceptions were noted as a result of applying the procedure.
  - 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.  
**Results:** The written policies and procedures do not address how vendors are added to the vendor list. No other exceptions were noted as a result of applying the procedure.
  - c) ***Disbursements***, including processing, reviewing, and approving.  
**Results:** The written policies and procedures do not address processing disbursements. No other exceptions were noted as a result of applying the procedure.
  - 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.  
**Results:** The written policies and procedures do not address recording deposits. No other exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions noted as a result of applying the procedure.

- 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.

**Results:** The written policies and procedures do not address types of services requiring written contracts, standard terms and conditions and legal review. No other exceptions were noted as a result of applying the procedure.

- g) **Credit Cards**, 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.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- 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 annually attest through signature verification that they have read the entity's ethics policy.

**Results:** The written policies and procedures do not address prohibitions as defined in Louisiana Revised Statute 42:1111-1121, and the requirement that all employees annually attest through signature verification that they have read the ethics policy. No other exceptions were noted as a result of applying the procedure.

### **Board of Trustees**

- 2. Obtained and inspected the board minutes for the fiscal period, as well as the board's bylaws in effect during the fiscal period, and:

- a) Observed that the board met with a quorum at least monthly, or on a frequency in accordance with the board's bylaws.

**Results:** The board did not meet one month during the fiscal period. No other exceptions were noted as a result of applying the procedure.

- b) Observed that the minutes referenced or included financial activity relating to public funds.

**Results:** No exceptions were noted as a result of applying the procedure.

### **Bank Reconciliations**

- 3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and all additional accounts. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (dated in accounting software);

**Results:** One bank reconciliation selected was not prepared within two months of the related statement closing date. No other exceptions were noted as a result of applying the procedure.

- 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 (initialed and dated);

**Results:** No exceptions were noted as a result of applying the procedure.

- 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 were noted as a result of applying the procedure.

### **Collections**

- 4. Obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Selected all deposit sites.

**Results:** No exceptions were noted as a result of applying the procedure.

- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site. Obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** Three employees that are responsible for cash collections share a cash drawer.

- 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 to the deposit.

**Results:** No exceptions were noted as a result of applying the procedure.

- 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.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- 6. Inquired 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 the procedure.

- 7. Determined which of the bank accounts selected for procedure #3 under "Bank Reconciliations" above have cash deposits. Randomly selected two deposit dates for each of the bank accounts identified (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). Obtained supporting documentation for each of the deposits and:

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** Receipts were not issued for any of the items selected.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** For two deposits the receipt date could not be determined from the documentation provided, therefore it is unknown if the deposits were made within one business day or one week of receipt as applicable. One deposit less than \$100 was not deposited within one week. No other exceptions were noted.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

- 8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected all locations.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- 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.

**Results:** No exceptions were noted as a result of applying the procedure.

- 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.

**Results:** Two employees responsible for processing payments also mail the checks.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- b) Observed that the disbursement documentation included evidence of segregation of duties observed under #9, as applicable.

**Results:** Checks for three disbursements observed were mailed by the employee responsible for processing the payment. No other exceptions were noted.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

- 11. Obtained 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. Obtained management's representation that the listing is complete.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit card purchases) was reviewed and approved, in writing, by someone other than the authorized card holder.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, selected all transactions from each statement, and obtained supporting documentation for the transactions. For each transaction, observed 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).

**Results:** One credit card transaction was not supported by an original itemized receipt. No other exceptions were noted as a result of applying the procedure.

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

- 14. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing is complete. Randomly selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased as a result of applying the procedure.

**Results:** One reimbursement was not supported by original itemized receipts. No other exceptions were noted.

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

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

### **Contracts**

- 15. Obtained 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. Obtained management's representation that the listing is complete. Randomly selected five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

**Results:** No exceptions were noted as a result of applying the procedure.

- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law if required by law.

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- c) If the contract was amended, observed that the original contract terms provided for such an amendment.

**Results:** No exceptions were noted as a result of applying the procedure.

- d) Randomly selected one payment from the fiscal period for each of the five contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

**Results:** No exceptions were noted as a result of applying the procedure.

### **Ethics**

- 16. Obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees. Obtained ethics documentation from management, and:

**Results:** No exceptions were noted as a result of applying the procedure.

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

**Results:** No exceptions were noted as a result of applying the procedure.

- b) Observed that the documentation demonstrates each employee 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 the procedure.

**Other**

17. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

**Results:** Management represented that there had been no misappropriations of public funds or assets during the fiscal period.

18. Observed 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.

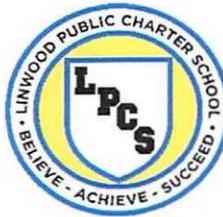
**Results:** The notice required by R.S. 24:523.1 concerning the misappropriation, fraud, waste, or abuse of public funds was not posted on the entity's website. No other exceptions were noted as a result of applying the procedure.

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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS, & INGRAM, LLC  
Shreveport, Louisiana  
January 31, 2019



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## LINWOOD PUBLIC CHARTER SCHOOL

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January 31, 2019

Louisiana Legislative Auditor  
1600 North 2<sup>nd</sup> Street  
P. O. Box 94397  
Baton Rouge, LA 71105

and

Carr, Riggs & Ingram  
1000 East Preston Ave.  
Suite 200  
Shreveport, LA 71105

### **Re: Management Response to Agreed-Upon Procedures**

The Shreveport Charter Schools, Inc. Management Team has reviewed the Independent Accountant's Report on Applying Agreed-Upon Procedures. The Management Team is in Agreement with the report as provided by Carr, Riggs & Ingram. In addition, the Shreveport Charter Schools, Inc. has implemented changes or additions to policy or procedures where necessary to meet the expectations identified in the report.

**Respectfully submitted,**

Wanda Austin-Lewis  
Director of Finance  
Shreveport Charter Schools, Inc.