

**THE MAXINE GIARDINA
CHARTER SCHOOL, INC.**

Audit of Consolidated Financial Statements

June 30, 2018



Contents

Independent Auditor's Report	1 - 2
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Financial Statements

Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 12

Independent Accountant's Report on Applying Agreed-Upon Procedures	14 - 16
---	---------

Schedules Required by Louisiana State Law (R.S. 24:514 - Performance and Statistical Data)		17
	Schedule	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	18
Class Size Characteristics	2	19

Supplementary Information

Schedule of Governing Board	21
Schedule of Compensation, Benefits, and Other Payments to Agency Head	22
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities	24

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26
--	---------

Schedule of Findings and Responses	27
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Independent Auditor's Report

To the Board of Directors
The Maxine Giardina Charter School, Inc.
Thibodaux, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Maxine Giardina Charter School, Inc. (the School), which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of governing board, the schedule of compensation, benefits, and other payments to agency head, and the consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Schedules 1 and 2 are not a required part of the consolidated 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 consolidated 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 January 10, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
January 10, 2019

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Consolidated Statement of Financial Position
June 30, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 714,809
Investments	30,338
Grants Receivable	29,418
Other Current Assets	<u>8,046</u>
Total Current Assets	<u>782,611</u>
Fixed Assets	
Building	635,945
Machinery and Equipment	227,197
Improvements	126,125
Accumulated Depreciation	<u>(726,397)</u>
Total Fixed Assets, Net	<u>262,870</u>
Total Assets	<u><u>\$ 1,045,481</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 19,885
Accrued Liabilities	<u>95,233</u>
Total Current Liabilities	<u>115,118</u>
Net Assets	
Unrestricted	<u>930,363</u>
Total Net Assets	<u>930,363</u>
Total Liabilities and Net Assets	<u><u>\$ 1,045,481</u></u>

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted
<hr/>	
Revenue, Grants, and Other Support	
State Public School Funding	\$ 1,200,657
Donations	47,920
Other Income and Gains, Net	77,964
Federal Grant Revenue	64,255
Other Grant Revenue	20,117
Other State Funding	8,915
Unrealized Gain on Investments	1,295
	<hr/>
Total Revenue, Grants, and Other Support	1,421,123
	<hr/>
Expenses	
Program Services	
Regular Education Programs	733,931
School Administration	330,565
Special Education Programs	118,903
Depreciation	65,973
Operation and Maintenance of Plant Services	52,778
Other Instructional Programs	50,433
Pupil Support Services	9,705
Instructional Staff Services	1,428
Management and General	
General Administration	43,532
Business Services	3,531
	<hr/>
Total Expenses	1,410,779
	<hr/>
Change in Net Assets	10,344
	<hr/>
Net Assets, Beginning of Year	920,019
	<hr/>
Net Assets, End of Year	\$ 930,363
	<hr/> <hr/>

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Change in Net Assets	\$ 10,344
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	65,973
Unrealized Gain on Investments	1,295
(Increase) Decrease in	
Grants Receivable	(21,472)
Other Current Assets	689
Investments	(31,633)
Increase (Decrease) in	
Accounts Payable	(2,325)
Accrued Liabilities	(9,913)
	<u>2,614</u>
Total Adjustments	<u>2,614</u>
	<u>12,958</u>
Net Cash Provided by Operating Activities	<u>12,958</u>
Net Change in Cash and Cash Equivalents	12,958
Cash and Cash Equivalents, Beginning of Year	<u>701,851</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 714,809</u></u>

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of The Maxine Giardina Charter School, Inc. and Max Charter School Foundation, Inc. All material intercompany transactions have been eliminated.

Organization and Nature of Activities

The Maxine Giardina Charter School, Inc., d/b/a The Max Charter School (the School), was created as a non-profit corporation under the laws of the State of Louisiana (the State) on June 27, 2006. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 2 charter school. On June 6, 2007, BESE approved the charter of the School. The charter was granted for an initial term of 3 years. The School was granted a 2-year extension, an additional 3-year extension, and most recently another 3-year extension of the contract pursuant to Louisiana Revised Statutes (LRS) 17:3992 and 3998, which expires in 2021.

The School serves eligible students in first through eighth grade. The School specializes in instruction for students with dyslexia and other related learning disabilities. A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Max Charter School Foundation, Inc. (the Foundation) was established on March 10, 2017, to assist the School in its education mission.

Basis of Presentation

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

Basis of Accounting

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, the School considers all investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2018, the School had no cash equivalents.

Fair Values of Financial Instruments

The School follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the School can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the asset or liability;
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Common Stocks. Valued at the closing price reported on the active market on which the individual securities are traded.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The table in Note 8 sets forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2018. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

Investments

In accordance with the *Not-for-Profit Entities* Topic 820 of the FASB ASC, the School's investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investments, consisting of certificates of deposit with original maturities greater than three months, are reported at original cost plus accrued interest. Dividend and interest income are accrued when earned.

Revenues

The School's primary source of funding is through the State Public School Fund. For the year ended June 30, 2018, the School received \$1,200,657 from the State based on eligible students in attendance paid on a monthly basis. State and federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses occur.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School.

Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the assets. The following are the estimated useful lives of the fixed assets of the School:

Improvements	4 - 5 Years
Machinery and Equipment	5 - 10 Years
Building	15 Years

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

Use of Estimates

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Concentrations

The School received 85% of its revenues for the year ended June 30, 2018, from the State of Louisiana, subject to its charter school contract with the State.

Compensated Absences

The Board of Directors of the School grants all contracted employees of the School a total of 10 days of sick/personal pay per year, provided, however, that the employee is contracted for a full year. Contracted employees may carry over all unused sick/personal days from year to year. The liability at June 30, 2018 is considered to be immaterial and is not recorded in the accompanying consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which amends the existing requirements for the financial statements and notes of not-for-profit entities (NFP). This update is the first phase of the FASB's two-phase project. Entities are required to 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. That is, an NFP will report amounts for *net assets without donor restrictions*, as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, an NFP has the option to omit certain information for any periods presented before the period of adoption. Management is currently evaluating the impact of ASU 2016-14 on its consolidated financial statements.

Note 2. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2018, were \$714,809, which are stated at cost and approximate market.

The School periodically maintains cash in bank accounts in excess of insured limits. The School has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. At June 30, 2018, deposits in excess of FDIC coverage was \$467,547.

Note 3. Fixed Assets

Depreciation expense for the year ended June 30, 2018, was \$65,973.

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

Note 4. Accrued Liabilities

As of June 30, 2018, the School had recorded accrued liabilities of \$95,233. This amount represents teachers' accrued salaries and benefits.

Note 5. Retirement Plans

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (the TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered and controlled by a separate board of trustees. Pertinent information relative to the plan follows.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 5. Retirement Plans (Continued)

Plan Description (Continued)

The TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. At June 30, 2017, the TRSL was 64.5% funded.

The TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. During the year ended June 30, 2018, the employer contribution rate was 26.6%. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to the plan for the year ended June 30, 2018 was \$183,141, which is equal to the required contributions for the year.

Note 6. Operating Lease

The School leases the 1.93 acres of land on which the School is located from Nicholls State University under an operating lease through July 2021. The School pays rent in the sum of \$5 per year on the lease.

Note 7. Uncertain Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The School believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in general administration expenses.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.

Notes to Consolidated Financial Statements

Note 8. Fair Value of Financial Instruments

The School's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of the School's accounting policies and valuation procedures.

The valuation of the School's assets measured at fair value on a recurring basis at June 30, 2018, was as follows:

	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Common Stocks	\$ 30,338	\$ -	\$ -	\$ 30,338

Note 9. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 10, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The Maxine Giardina Charter School, Inc.
Thibodaux, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Maxine Giardina Charter School, Inc. (the School), 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 the Organization 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 the Organization 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

Findings: None.

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.

Findings: None.

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

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 prepared by management.

Findings: For one individual selected, the years of experience reported on the PEP data did not agree to the individuals' personnel files.

Management's Response: The years of experience for the employee has been updated in our system and reported correctly on the current year October 1st report.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtained management's representation that the data/listing was complete. 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).

Findings: None

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.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the Organization, 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
January 10, 2019

THE MAXINE GIARDINA CHARTER SCHOOL, 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.

**THE MAXINE GIARDINA CHARTER SCHOOL, 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	\$ 448,919	
Other Instructional Staff Salaries	111,849	
Instructional Staff Employee Benefits	216,023	
Purchased Professional and Technical Services	1,155	
Instructional Materials and Supplies	37,318	
Instructional Equipment	-	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 815,264
Other Instructional Activities		12,082
Pupil Support Services	9,705	
Less: Equipment for Pupil Support Services	-	
	<hr/>	
Net Pupil Support Services		9,705
Instructional Staff Services	1,428	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		1,428
School Administration	327,993	
Less: Equipment for School Administration	(2,572)	
	<hr/>	
Net School Administration		325,421
		<hr/>
Total General Fund Instructional Expenditures		\$ 1,163,900
		<hr/>
Total General Fund Equipment Expenditures		\$ 2,572

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	-
	<hr/>
Total Local Taxation Revenue	\$ -

Local Earnings on Investment in Real Property

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
	<hr/>
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	-
	<hr/>
Total State Revenue in Lieu of Taxes	\$ -

Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	\$ -

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

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Class Size Characteristics
As of October 1, 2016

Schedule 2

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	97%	67	3%	2				
Elementary Activity Classes	91%	10	9%	1				

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

SUPPLEMENTARY INFORMATION

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Schedule of Governing Board
For the Year Ended June 30, 2018

Board Member	Compensation	Board Member	Compensation
Jake Giardina 918 East First Street Thibodaux, LA 70301 <i>Board Chair</i>	\$ - 0 -	Andrea Bollinger-Giardina 918 East First Street Thibodaux, LA 70301 <i>Board Member</i>	\$ - 0 -
Karen Chauvin 214 Central Avenue Houma, LA 70364 <i>President</i>	\$ - 0 -	Dr. Albert Davis 111 East Killarney Place Thibodaux, LA 70310 <i>Board Member</i>	\$ - 0 -
Carol Broussard 137 Alamo Drive Houma, LA 70360 <i>Vice-President</i>	\$ - 0 -	Dr. Cleveland O. Hill 2130 Highway 3185 Thibodaux, LA 70301 <i>Board Member</i>	\$ - 0 -
Brian Aucoin 1306 Park Drive Thibodaux, LA 70301 <i>Treasurer</i>	\$ - 0 -	Alex Arceneaux 12483 Plantation Creek Drive Geiser, LA 70734 <i>Board Member</i>	\$ - 0 -
Dr. Angelle Hebert 500 Cedar Tree Drive Thibodaux, LA 70310 <i>Secretary</i>	\$ - 0 -	James Buquet, III 1243 Bayou Black Drive Houma, LA 70360 <i>Board Member</i>	\$ - 0 -
Larry Howell 112 Rue Bergere Thibodaux, LA 70301 <i>Board Member</i>	\$ - 0 -		

See independent auditor's report.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2018

Agency Head
 Rebecca Walker, Principal

Purpose	Amount
Salary	\$70,000
Benefits - Insurance	\$11,918
Benefits - Retirement	\$18,620
Benefits - Parking Permit, NSU	\$50
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$145
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Consolidating Statement of Financial Position
For the Year Ended June 30, 2018

	The Maxine Giardina Charter School, Inc.	Max Charter School Foundation, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 694,756	\$ 20,053	\$ -	\$ 714,809
Investments	-	30,338	-	30,338
Grants Receivable	29,418	-	-	29,418
Other Current Assets	8,046	-	-	8,046
Total Current Assets	732,220	50,391	-	782,611
Fixed Assets				
Building	635,945	-	-	635,945
Machinery and Equipment	227,197	-	-	227,197
Improvements	126,125	-	-	126,125
Accumulated Depreciation	(726,397)	-	-	(726,397)
Total Fixed Assets, Net	262,870	-	-	262,870
Total Assets	\$ 995,090	\$ 50,391	\$ -	\$ 1,045,481
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 19,885	\$ -	\$ -	\$ 19,885
Accrued Liabilities	95,233	-	-	95,233
Total Current Liabilities	115,118	-	-	115,118
Net Assets				
Unrestricted	879,972	50,391	-	930,363
Total Net Assets	879,972	50,391	-	930,363
Total Liabilities and Net Assets	\$ 995,090	50,391	\$ -	\$ 1,045,481

See independent auditor's report.

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Consolidating Statement of Activities
For the Year Ended June 30, 2018

	<u>The Maxine Giardina Charter School, Inc.</u>			<u>The Max Charter School Foundation, Inc.</u>			<u>Eliminations</u>	<u>Consolidated</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Grants, and Other Support										
State Public School Funding	\$ 1,200,657	\$ -	\$ 1,200,657	\$ -	\$ -	\$ -	\$ -	\$ 1,200,657	\$ -	\$ 1,200,657
Other Income and Gains, Net	77,921	-	77,921	43	-	43	-	77,964	-	77,964
Donations	17,194	-	17,194	30,726	-	30,726	-	47,920	-	47,920
Federal Grant Revenue	64,255	-	64,255	-	-	-	-	64,255	-	64,255
Other Grant Revenue	20,117	-	20,117	-	-	-	-	20,117	-	20,117
Other State Funding	8,915	-	8,915	-	-	-	-	8,915	-	8,915
Unrealized Gain on Investments	1,295	-	1,295	-	-	-	-	1,295	-	1,295
Total Revenue, Grants, and Other Support	1,390,354	-	1,390,354	30,769	-	30,769	-	1,421,123	-	1,421,123
Expenses										
Program Services										
Regular Education Programs	733,931	-	733,931	-	-	-	-	733,931	-	733,931
School Administration	330,565	-	330,565	-	-	-	-	330,565	-	330,565
Special Education Programs	118,903	-	118,903	-	-	-	-	118,903	-	118,903
Depreciation	65,973	-	65,973	-	-	-	-	65,973	-	65,973
Operation and Maintenance of Plant Services	52,778	-	52,778	-	-	-	-	52,778	-	52,778
Other Instructional Programs	50,433	-	50,433	-	-	-	-	50,433	-	50,433
Pupil Support Services	9,705	-	9,705	-	-	-	-	9,705	-	9,705
Instructional Staff Services	1,428	-	1,428	-	-	-	-	1,428	-	1,428
Management and General										
General Administration	42,282	-	42,282	1,250	-	1,250	-	43,532	-	43,532
Business Services	3,531	-	3,531	-	-	-	-	3,531	-	3,531
Total Expenses	1,409,529	-	1,409,529	1,250	-	1,250	-	1,410,779	-	1,410,779
Change in Net Assets	(19,175)	-	(19,175)	29,519	-	29,519	-	10,344	-	10,344
Net Assets, Beginning of Year	920,019	-	920,019	-	-	-	-	920,019	-	920,019
Net Assets, End of Year	\$ 900,844	\$ -	\$ 900,844	\$ 29,519	\$ -	\$ 29,519	\$ -	\$ 930,363	\$ -	\$ 930,363

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
The Maxine Giardina Charter School, Inc.
Thibodaux, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Maxine Giardina Charter School, Inc. (the School), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's consolidated 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 consolidated 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is disclosed in the accompanying schedule of findings and responses as item 2018-001

Maxine Giardina Charter School's Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
January 10, 2019

THE MAXINE GIARDINA CHARTER SCHOOL, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Part I. Summary of Auditor's Results

Consolidated Financial Statements

- | | |
|--|------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified? | No |
| c) Noncompliance material to the financial statements noted? | Yes |

Federal Awards

Not applicable.

Part II. Findings Related to the Consolidated Financial Statements

2018-001 Late Submission of Audit Report to Legislative Auditor

- Criteria:* The audit report is required by Louisiana Revised Statutes 24:513A (5) (a)(i) to be submitted within six months of year end.
- Condition:* The report was not filed within six months required by state law.
- Cause:* The School experienced turnover in its business manager position during the fiscal year.
- Effect:* Noncompliance with requirements of Louisiana Revised Statutes 24:513A (5) (a)(i)
- Recommendation:* We recommend that management ensure that the time requirement is met for next year's audit.
- Management's Response:* Management provided needed information and the audit report was submitted on January 31, 2019.

Part III. Federal Award Findings

Not applicable.

Part IV. Prior Year Findings

None.

AGREED-UPON PROCEDURES REPORT

The Maxine Giardina Charter School

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2017 - June 30, 2018

To The Maxine Giardina Charter School and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of the Maxine Giardina Charter School (Max) 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 year July 1, 2017 through June 30, 2018. Max's management is responsible for those C/C areas identified in the SAUPs. 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 results are as follows:

Written Policies and Procedures

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

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. 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.

Results: We noted that there were no policies over budgeting; the purchasing policy did not address documentation required to be maintained for all bids and price quotes; the payroll/personnel policy did not address who processes payroll and only mentions approval of leave, not overtime or general attendance records; the contracting policy did not include any of the items listed above; and there was no credit card policy. We noted that ethics and debt service are not applicable as Max is a nonprofit organization.

Management's Response: Max will amend its policies and procedures to include the missing categories and subcategories.

Board or Finance Committee

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: During the fiscal year, Max's board met twelve times with a quorum. The minutes did not reference budget to actual comparisons but did reference non-budgetary items. Max did not have a deficit during the year ended June 30, 2018.

Management's Response: Max will begin making reference to budget to actual comparisons in its board minutes.

Bank Reconciliations

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

Results: We noted that bank reconciliations selected for testing were prepared within 2 months of closing date. There was no evidence of review on bank reconciliations. We noted one check outstanding for more than 12 months in the amount of \$11.

Management's Response: The Treasurer of Max reviews bank reconciliations. In the future, he will sign the reconciliations. Max will investigate the outstanding check and will submit it to the Louisiana Treasurer's unclaimed property division.

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: We obtained management's representation that the list of deposit sites and deposit locations was complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- 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: Max does not have cash drawers/registers. We performed remaining procedures without exception.

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

Results: Employees are covered by employee theft policy.

- 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: We noted that one deposit was made within 12 days of collection and one was made within 2 days of collection. We noted one deposit was not supported by pre-numbered receipts.

Management's Response: Max will improve its timeliness of depositing cash collections and will ensure that future collections are supported by receipts or logs.

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

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

Results: We obtained management's representation that locations that process payments and the listing or general ledger is complete. We noted that Max has one payment processing location.

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.

Results: We noted no exceptions in the performance of procedures a, b, and c. We noted that the person processing payments mails the checks after they are manually signed by authorized check signers.

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.

Results: We noted no exceptions in the performance of this procedure.

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

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

Results: We obtained management's representation that 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. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. 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) were 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.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: We noted that monthly statements are reviewed and approved in writing by someone other than authorized card holder. We noted two finance charges assessed totaling \$14.76.

Management's Response: Max will work to eliminate finance charges in the future.

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 whether the transaction 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: In our testing of 13 credit card charges, we noted one that did not have documentation of business/public purpose.

Management Response: Max will ensure that future charges contain documentation of business/public purpose.

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

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

Results: We noted no exceptions in the performance of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - 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.

Results: We noted no exceptions in the performance of these procedures.

Payroll and Personnel

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

Results: We obtained the listing and management's representation that it was complete. Each employee salary selected agreed to contract in personnel file.

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

Results: We noted that there is no approval for attendance documentation other than for leave documentation. We noted no other exceptions in the performance of these procedures.

Management's Response: Max will begin having someone sign off as reviewer of attendance sheets.

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.

Results: We noted that Max had only one termination during the fiscal year. We performed the above procedure without exception for that termination.

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

Results: We obtained 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.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, 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 results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
January 10, 2019