

Apex Southeast, Inc.

Financial Report

For the Year Ended June 30, 2017

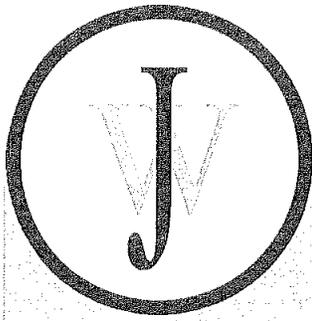
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Report



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Apex Southeast, Inc.
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Apex Southeast, Inc. (the "school") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apex Southeast, Inc. as of June 30, 2017, 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

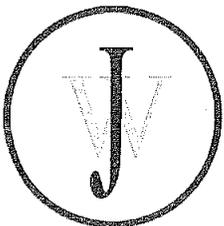
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017 on our consideration of Apex Southeast, 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 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 Apex Southeast, Inc.'s internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, LA
December 28, 2017



Basic Financial Statements

Apex Southeast, Inc.

Statement of Financial Position As of June 30, 2017

Assets

Current Assets

Cash and Cash Equivalents	\$	50,247
Grants and other receivables		114,861
Prepaid Insurance and other costs		<u>116,897</u>

Total Current Assets 282,005

Other Assets

Equipment, net		41,775
Security Deposits		<u>5,000</u>

Total Other Assets 46,775

Total Assets \$ 328,780

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	46,867
Accrued payroll liabilities		<u>161,209</u>

Total Current Liabilities 208,076

Long-Term Liabilities

Loan Payable		<u>220,000</u>
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Total Long-Term Liabilities 220,000

Net Assets

Unrestricted		<u>(99,296)</u>
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Total Net Assets (99,296)

Total Liabilities and Net Assets \$ 328,780

The notes to the financial statements are an integral part of this statement.

Apex Southeast, Inc.

Statement of Activities
for the Year Ended June 30, 2017

	<u>Unrestricted</u>
Revenues and Other Support	
Grants:	
State and local Minimum Foundation Program	\$ 1,247,744
Contributions	10,485
Interest Income	2
Miscellaneous revenue	<u>66,485</u>
 Total Revenue and Other Support	 1,324,716
 Expenses	
Program Services:	
Instructional	1,182,307
 Supporting Services:	
Management and General	<u>144,290</u>
 Total Expenses	 1,326,597
 Change in Net Assets	 (1,881)
 Net Assets at Beginning of Year	 <u>(97,415)</u>
 Net Assets at End of Year	 <u>\$ (99,296)</u>

The notes to the financial statements are an integral part of this statement.

Apex Southeast, Inc.
Statement of Cash Flows
For the year ended June 30, 2017

Cash Flows From Operating Activities

Change in net assets	\$ (1,881)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
(Increase) decrease in depreciation and amortization	(12,475)
Increase (decrease) in accounts receivable to non related parties	(114,861)
Increase (decrease) in prepaid expenses to non related parties	(116,897)
Increase (decrease) in accounts payable to non related parties	46,867
Increase (decrease) in accrued liabilities	161,209
Net cash provided by (used by) operating activities	(38,038)

Cash Flows From Investing Activities

Purchases of property	(29,300)
Net (borrowings) and proceeds (to) from related parties	-
Net Cash (Used) by Investing Activities	(29,300)

Cash Flows From Financing Activities

Proceeds from borrowings	120,000
Repayments of debt	-
Net cash (used) by financing activities	120,000

Net Cash Increase (Decrease) in Cash and Cash Equivalents 52,662

Cash and Cash Equivalents, Beginning of Year (2,415)

Cash and Cash Equivalents, End of Year \$ 50,247

Supplemental disclosures of cash flow information

Cash paid during the year for interest -

The notes to the financial statements are an integral part of this statement.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies

Organization

The Apex Southeast, Inc. “Apex” was incorporated on September 29, 2014 with the purpose to establish and run a public charter school in Baton Rouge, Louisiana. Apex is a Type 2 charter school governed by a board of directors. Apex provides education to all students in grades 6-12 to excel in four year colleges and gain access to professional life opportunities through rigorous academics, core subject mastery, and character development. Also, Apex will provide the necessary tools and skills needed to develop superior levels of achievement.

Apex was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2015 to operate a Type 2 charter school.

The school seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measure pupil progress toward stated goal; and participate in pupil assessment required by law, regulations and BESE policy.

The mission of Apex is to educate all students in grades 6-12 to excel in four year colleges and gain access to professional and life opportunities through rigorous academics, core subject mastery, and character development.

General

Apex was founded in the audacious belief that through hard work by leaders, teachers, and students, college is an attainable goal for each student. Placing a priority on literacy and math, along with our commitment to a strong and positive school culture, Apex is providing students with a learning environment that fosters a mindset of college matriculation and success in life.

The Apex school has seven core elements of school design which will help them achieve their mission

1. A successful school can be built, from day one, with high academic expectations for every student, regardless of background. We will prepare students for a world where post-secondary education is the education norm.
2. Students thrive within structure and when expectations are clear and supports are high. Our school discipline and culture is designed to help support an environment where learning is expected and enjoyed by students.
3. For students to succeed in school and in life, we must explicitly teach character development. Strong character traits are necessary for students to be successful in school and in life.
4. For students to excel, an extended day and year, with prioritized use of time, is a must. Schools with extended time for student learning have significantly better student’s achievement than their grade span peers.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

5. Students' academic growth and levels of achievement in all grades and all subjects are supported by a school's strategic use of data. Our system of data gathering, evaluation, and response allows us to make adjustments to school operations and student interventions.
6. Successful schools identify, support and grow teachers to produce great results. We commit significant resource to identify committed professionals willing to put in the time to excel at their chosen craft.
7. Successful schools that deliver academic results have mission-driven leadership. We hire staff who exemplify leadership in every action, and who are driven to be part of a mission-driven team.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, Financial Statements of Not-For-Profit Organizations. Under FASB ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

Unrestricted - Net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Apex and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by Apex. Generally, the donors of these assets permit the School to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of June 30, 2017.

Also, under not-for-profit accounting, 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.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the School considers all unrestricted funds and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Grant and Other Receivables

The grant and other receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Equipment

Equipment is capitalized at cost and updated for additions and retirements during the year. The net carrying amount is considered the net realizable value. Donated property and equipment is recorded at fair market values as of the date received. The School maintains a capitalization threshold of \$5,000 for equipment. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported equipment is depreciated using the straight-line method over three to five years.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and, accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Public Support and Revenues

The school, as a Type 2 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at school. The amount of funding received is adjusted during the school year based on October and February 1 student's counts and the result of any audits performed.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Donated Equipment, Services, and Materials

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2017, there were no non-cash contributions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This may require the allocation of certain costs based on total program costs and estimates made by management.

Income Taxes

Apex is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

The school has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School has unrelated trade or business income.

Fixed Assets

Acquisitions of buildings, equipment, improvements and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment and improvements are stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line-method over the estimated useful lives of the related assets as follows:

Furniture	5 years
Equipment	5 years
Computer	3 years
Software	3 years

Accounts Payable

Accounts payable consists of vendor and purchased services obligations that are estimated based on an average outstanding balance of fifteen days of total estimated services incurred for the year.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Interest Payable

Accrued interest payable consists of interest expense incurred from the date of the last interest payment through the end of the fiscal year.

Note 2 - Cash and Cash Equivalents

Apex had the following cash as of June 30, 2017:

Cash and Cash Equivalents	\$ <u>50,247</u>
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Custodial credit risk is the risk that, in the event of a bank failure, Apex southeast, Inc's deposits might not be recovered.

Apex maintains its demand deposits in one financial institution. Accounts at this institution are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits.

Note 3 -Grants Receivable

Grants receivable are deemed to be fully collectible by management; accordingly, no allowance for doubtful accounts has been determined.

Note 4 - Fixed Assets

Fixed assets are carried at cost less accumulated depreciation/amortization. Depreciation/Amortization is determined at rates which will reduce original cost to estimate residual value over the useful life of each asset.

Depreciation expense for the year ended June 30, 2017 was \$12,475. Leasehold improvements consist of costs relating to improvements made to a temporary facility. Apex signed a one-year lease for this facility.

The following schedule summarizes estimated useful life, cost and accumulated depreciation of property and equipment as of June 30, 2017:

<u>Description</u>	<u>Life</u>	<u>2017</u>
Furniture/Fixtures	5 years	\$12,597
Computer Hardware	3 years	<u>41,653</u>
		54,250
	Less: Accumulated Depreciation	<u>(12,475)</u>
	Equipment, net	<u>\$ 41,775</u>

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 5 - Risk Management

Apex is exposed to various risks of loss related to thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, employee health and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Note 6 - Payroll Tax Liability

As of June 30, 2017, the school has a liability due to the Internal Revenue Service for unpaid payroll taxes totaling \$161,209. As of the date of this report, management has made no formal arrangements for repayment.

Note 7 - Retirement

A 403(b) retirement savings plan has been established for employees of the School; however, no funding of the plan occurred during the reporting period.

Note 8 - Board of Director Compensation

The Board of Trustees is a voluntary board; therefore no compensation was paid to any board member during the year ended June 30, 2017.

Note 9 - Contingencies

State Funding

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with the Board of Elementary and Secondary Education. If the Legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

Note 10 - Lease Agreement

The school has a building and land lease with an initial term of fourteen consecutive months, commencing on June 1, 2016 and ending on June 30, 2017, and shall have the right to renew the agreement and the lease of Leased Premises hereunder for one renewal term of one year upon thirty days written notice to Mount Pilgrim Baptist Church.

Note 11 - Loan

On March 15, 2015 the school entered into a promissory contract with the New Schools for Baton Rouge, a Louisiana Non-Profit Organization. The promissory bears interest at 1% per annum and is payable in 24 months. The amount for the first loan is \$120,000 and a second one of \$100,000. As of the date of this report Apex Southeast, Inc. has not made any payment.

APEX Southeast, Inc.
Notes to the Financial Statements
June 30, 2017

Note 12 - Commitments and Contingencies

The school receives funds through state and federal programs that are govern by various statues and regulations. State program funding is based primarily on student attendance data submitted on October and February each year to the Department of Education and is subject to audit and adjustment. Expenses charged to federal programs are subject to adjustments by the grantor agency. The programs administered by the school have complex compliance requirements, and should state or federal auditor discovers areas of noncompliance, the school funds may be subject to refund if so determined by the Department of Education or grantor agency.

Note 13 - Uncertain Income Taxes

Accounting principles generally accepted in the United States of America require the School's management to evaluate tax positions taken by the School and recognize a tax liability if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The School's management has analyzed the tax positions taken by the School, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 14 – Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, the School will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the School's financial statements. The School has not elected to early adopt this standard.

Note 15 - Subsequent Events

The management of Apex evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 28, 2017 the date which the financial statements were available to be issued.

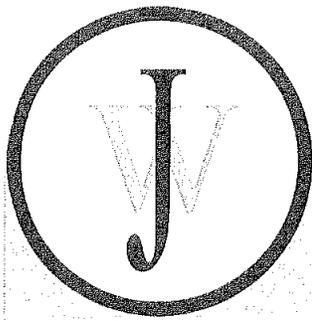
Supplementary Information

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2017

Name Eric Lewis
Date Range June 1, 2016-July 30, 2017

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 80,000
Benefits - Insurance	-
Benefits - Retirement	-
Car Allowance	-
Per diem	-
Reimbursements	-
Cell Phone	1,050
Registration Fees	-
Conference Travel	-
	<hr/>
Total Compensation, Benefits, and Other Payments to Agency Head	<u>\$ 81,050</u>

Internal Control, Compliance and Other Matters



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

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

Board of Directors
Apex Southeast, Inc.
Baton Rouge, 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 financial statements of Apex Southeast, Inc., (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, and cash flows for the year then ended, schedule of federal awards and the related notes to the financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Apex Southeast, 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 or other matters that are required to be reported under *Government Auditing Standards*.

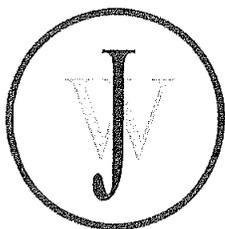
Purpose of this Report

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

J. Walker & Company, APC

Lake Charles, Louisiana

December 28, 2017



Apex Southeast, Inc.
(A Non-Profit Organization)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Apex Southeast, Inc.
2. There were no control deficiencies disclosed during the audit of the financial statements and reported in the *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*.
3. There were no instances of noncompliance that is reported in the *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*.

b. Federal Awards

1. The entity reported they received less than \$750,000 in federal awards during the year ended June 30, 2017 and therefore is exempt from the audit requirements as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

c. Management Letter

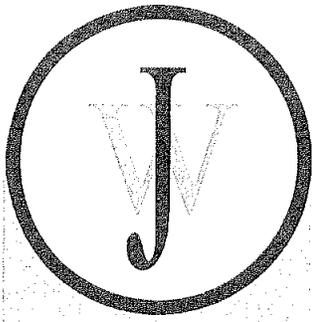
1. No management letter was issued in connection with the audit for the year ended June 30, 2017.

II. Findings – Internal Controls and Compliance

No findings were reported for the current audit period.

III. Findings – Prior Year

No findings were reported for the prior period.



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Trustees
Apex Southeast, Inc
Baton Rouge, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Apex Southeast, Inc. (a nonprofit organization) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Apex Southeast, Inc. 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). Management of Apex Southeast, Inc. is responsible for the performance and statistical data. This agreed-upon procedures engagement was conducted in accordance with standards established by the American Institute of Certified Public Accountants, and applicable provisions of Government Auditing Standards published by the United States Comptroller General. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings related to the accompanying schedules of supplementary information are as follows:

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

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MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on Schedule 1:

- 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 noted.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full-time classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school supporting payroll records as of October 1, 2016.

Findings: None noted.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Findings: None noted.

4. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2016 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on Schedule 2.

Findings: None noted.

Number and Type of Public Schools (Schedule 3)

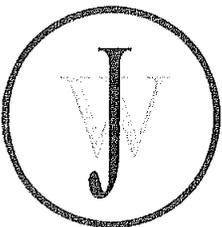
5. We obtained a list of schools by type as reported on Schedule 3. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings: None noted.

Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full-time teachers by classification as of October 1, 2016 and as reported on Schedule 4 and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings: None noted.



Public School Staff Data: Average Salaries (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on Schedule 5 and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on Schedule 5.

Findings: None noted.

8. We recalculated the average salaries and full-time equivalents reported in Schedule 5.

Findings: None noted.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on Schedule 6 and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2016 roll books for those classes and determined if the classes were properly classified on Schedule 6.

Findings: None noted.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 7 by Apex Southeast, Inc.

Findings: None noted.

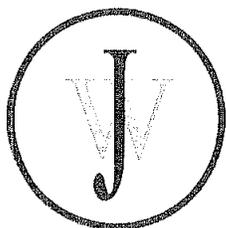
The Graduation Exit Exam (GEE) (Schedule 8)

11. The Graduation Exit Examination (GEE) is no longer administered. This schedule is no longer applicable.

Integrated Louisiana Educational Assessment Program (iLEAP) (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to the scores reported in Schedule 9 by Apex Southeast, Inc.

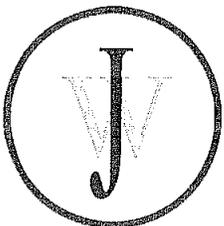
Findings: None noted.



We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Apex Southeast Inc., the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC
Lake Charles, Louisiana



Apex Southeast, Inc.
 General Fund Instructional and Support Expenditures
 And Certain Local Revenue Sources
 For the Year Ended June 30, 2017
 Schedule 1

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$215,069	
Other Instructional Staff Activities	-	
Instructional Staff Employee Benefits	78,957	
Purchased Professional and Technical Services	65,852	
Instructional Materials and Supplies	105,818	
Instructional Equipment	3,278	
Total Teacher and Student Interaction Activities	3,278	468,974
Other Instructional Activities		\$0
Pupil Support Activities	7,500	
Less: Equipment for Pupil Support Activities	1,200	
Net Pupil Support Activities	6,300	\$6,300
Instructional Staff Services	3,353	
Less: Equipment for Instructional Staff Services	0	
Net Instructional Staff Services	3,353	\$3,353
School Administration	244,427	
Less: Equipment for School Administration	0	
Net School Administration	244,427	\$244,427
Total General Fund Instructional Expenditures (Total of Column B)		\$723,054
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$4,478
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Constitutional Ad Valorem Taxes		0
Renewable Ad Valorem Tax		0
Debt Service Ad Valorem Tax		0
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		0
Sales and Use Taxes		0
Total Local Taxation Revenue		\$0
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		0
Earnings from Other Real Property		0
Total Local Earnings on Investment in Real Property		\$0
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		0
Revenue Sharing - Other Taxes		0
Revenue Sharing - Excess Portion		0
Other Revenue in Lieu of Taxes		0
Total State Revenue in Lieu of Taxes		\$0
Nonpublic Textbook Revenue		\$0
Nonpublic Transportation Revenue		\$0

Apex Southeast, Inc.
 Education Levels of Public School Staff
 For the Year Ended June 30, 2017
 Schedule 2

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	1	50.00%	4	100.00%				
Master's Degree	1	50.00%						
Master's Degree + 30							2	100.00%
Specialist in Education								
Ph. D. or Ed. D.								
Total	2	100.00%	4	100.00%			2	100.00%

Apex Southeast, Inc.
Number and Type of Public Schools
For the Year Ended June 30, 2017
Schedule 3

Type	Number
Elementary	
Middle/Jr. High	1
Secondary	
Combination	
Total	1

Note: Schools opened or closed during the fiscal year are included in this schedule.

Apex Southeast, Inc.
 Experience of Public Principal, Assistant Principal,
 and Full-Time Classroom Teachers
 For the Year Ended June 30, 2017
 Schedule 4

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals		1						1
Principals		1						1
Classroom Teachers	3	2	1					6
Total	3	4	1					8

Apex Southeast, Inc.
Public School Staff Data: Average Salaries
For the Year Ended June 30, 2017
Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$35,726	\$63,787
Average Classroom Teachers' Salary Excluding Extra Compensation	\$63,787	\$63,787
Number of Teacher Full-time Equivalent (FTEs) used in Computation of Average Salaries	6.02	6.02

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

Apex Southeast, Inc.
 Class Size Characteristics
 For the Year Ended June 30, 2017
 Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High			34.40%	11	62.50%	20	3.10%	1
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

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.

Apex Southeast, Inc.
Louisiana Educational Assessment Program (LEAP)/PARCC
For the Year Ended June 30, 2017
Schedule 7

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery		7%			7%	
Basic		41%			23%	
Approaching Basic		34%			40%	
Unsatisfactory		18%			30%	
Total		100%			100%	

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

Apex Southeast, Inc.
Louisiana Educational Assessment Program (LEAP)/PARCC
For the Year Ended June 30, 2017
Schedule 7

District Achievement Level Results	English Language Arts			Mathematics		
	2017	2016	2015	2017	2016	2015
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced						
Mastery						
Basic						
Approaching Basic						
Unsatisfactory						
Total						

Apex Southeast, Inc.
Graduation Exit Exam (GEE)
For the Year Ended June 30, 2017
Schedule 8

Not Applicable: GEE is no longer administered.

Apex Southeast, Inc.
 Integrated Louisiana Educational Assessment Program (iLEAP)/PARCC
 For the Year Ended June 30, 2017
 Schedule 9

District Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	

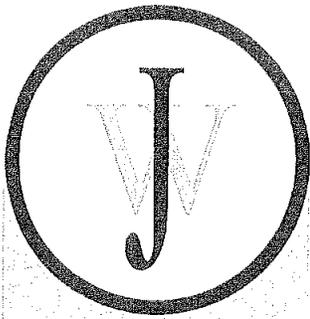
District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced					N/A	
Mastery		1%			N/A	
Basic		38%			N/A	
Approaching Basic		41%			N/A	
Unsatisfactory		20%			N/A	
Total		100%			N/A	

Apex Southeast, Inc.
 Integrated Louisiana Educational Assessment Program (iLEAP)/PARCC
 For the Year Ended June 30, 2017
 Schedule 9

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 7 Students						
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	

District Achievement Level Results	Science			Social Studies		
	2017	2016	2015	2017	2016	2015
	Percent	Percent	Percent	Percent	Percent	Percent
Grade 8 Students						
Advanced					N/A	
Mastery					N/A	
Basic					N/A	
Approaching Basic					N/A	
Unsatisfactory					N/A	
Total					N/A	



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Apex Southeast, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Apex Southeast, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. 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 findings are as follows:

Written Policies and Procedures

- 1) Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

We performed the procedures above and noted no exceptions.

- (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.

We performed the procedures above and noted the following exceptions:

The School was unable to provide written policies and procedures describing how purchases are initiated; how vendors are added to the vendor list; and preparation and approval process of purchase requisitions and purchase orders

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

The School was unable to provide written policies and procedures relating to the disbursement process.

- (d) *Receipts*, including receiving, recording, and preparing deposits

The School was unable to provide written policies and procedures relating to receipts including process for receiving, recording and preparing deposits.

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

We performed the procedures above and noted no exceptions.

- (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

We performed the procedures above and noted the following exceptions:

The School was unable to provide written policies and procedures relating to contracting including procedures relating to types of services requiring written contracts; standard terms and conditions; legal review; approval process and monitoring process.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

- (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.

School is a non-profit organization; therefore, no procedures were performed relating to ethics.

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

The School issued no debt; therefore no procedures were performed relating to debt service.

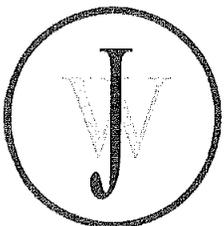
Management's Responses:

Purchasing: The School is in the process of preparing fiscal policies to include written policies and procedures relating to purchasing.

Disbursements: The School is in the process of preparing fiscal policies to include written policies and procedures relating to disbursements.

Receipts: The School is in the process of preparing fiscal policies to include written policies and procedures relating to controls over receipts.

Contracting: The School is in the process of preparing fiscal policies to include written policies and procedures relating to written contracts, standards terms, conditions and legal review; as well as to establish an approval and monitoring process.



Board (or Finance Committee, if applicable)

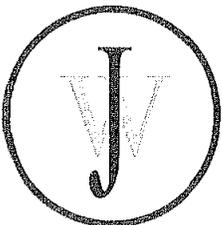
2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced 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.

We performed the procedures above and noted no exceptions.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We performed the procedures above and noted no exceptions.



Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

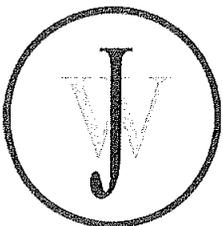
We performed the procedures above and noted no exceptions.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:*

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.



We performed the procedures above and noted the following exception:

The School was unable to provide written documentation regarding procedure and/or process specifically defined to determine completeness of all collections.

Management's Responses:

The School is in the process of preparing fiscal policies to include written policies and procedures designed to determine the completeness of all collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

We performed the procedures above and noted no exceptions.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

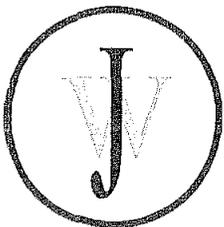
We performed the procedures above and noted the following exceptions:

Person responsible for processing payments has the ability to add vendors to the School's purchasing/disbursement system.

Management's Responses:

The School will implement procedures to ensure the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.



12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We performed the procedures above and noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The School does not use a signature stamp or signature machine; therefore, no procedures were performed.

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

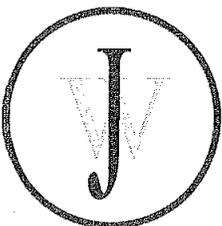
14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

We performed the procedures above and noted no exceptions.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)



- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

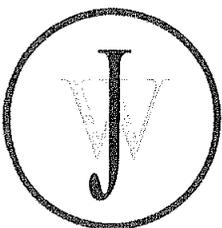
We performed the procedures above and noted no exceptions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

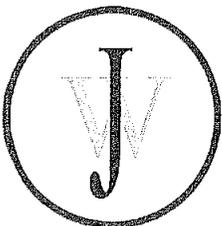


- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.



- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We performed the procedures above and noted no exceptions.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We performed the procedures above and noted no exceptions.

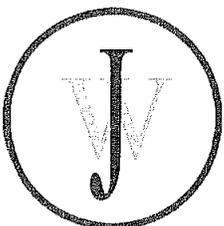
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We performed the procedures above and noted no exceptions.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement



contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Performed the procedures above and noted the following exceptions:

On various occasions required payroll tax deposits were not made by the School.

Management's Responses:

The School is in the process of establishing a payment plan for the outstanding liabilities.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

School is a non-profit organization; therefore, no procedures relating to ethics were performed.

Debt Service (excluding nonprofits)

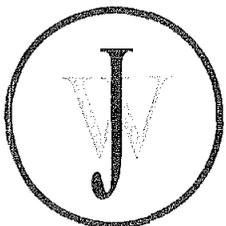
28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

School is a non-profit organization; therefore, no procedures relating to debt service were performed.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

We performed the procedures above and noted no exceptions.



32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted the following exception:

The School does not have the notice required by R.S. 24:523.1 posted on the premises and website.

Management's Responses:

The School will post the notices required by R.S. 24:523.1 to our website and on the premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

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.

J. Walker & Company, APC

Lake Charles, Louisiana

