
Northshore Charter School

Financial Statements

June 30, 2015

Northshore Charter School

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Independent Auditors' Report

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have audited the accompanying financial statements of Northshore Charter School, a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northshore Charter School as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Northshore Charter School's 2014 financial statements, and our report dated May 27, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Northshore Charter School. The accompanying schedule of compensation, benefits, and other payments to school head and the performance and statistical data, included as Schedules 1 through 9, as required by Louisiana State Law, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The performance and statistical data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. We did not audit this information and, accordingly, we do not express an opinion on it.

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of Northshore Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Covington, Louisiana
February 22, 2016

Financial Statements

Northshore Charter School
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 544,080	\$ 92,738
Grants receivable	261,200	86,016
Prepaid expenses	98,758	52,520
	<u>904,038</u>	<u>231,274</u>
Fixed Assets		
Property and equipment, net	460,696	49,259
Other Assets		
Security deposits	18,804	11,853
	<u>\$ 1,383,538</u>	<u>\$ 292,386</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 76,359	\$ 39,495
Retirement payable	126,327	74,216
Accrued payroll expenses	196,934	22,824
Notes payable - current portion	33,333	43,333
	<u>432,953</u>	<u>179,868</u>
Noncurrent liabilities		
Notes payable	-	33,333
Accrued compensated absences	112,345	28,024
	<u>112,345</u>	<u>61,357</u>
Net Assets		
Unrestricted	838,240	51,161
	<u>\$ 1,383,538</u>	<u>\$ 292,386</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
State public school funding	\$ 4,514,237	\$ 1,768,739
Federal grants	261,202	108,988
Meal income	279,784	82,254
Grants and contributions	279,911	28,038
	<u>5,335,134</u>	<u>1,988,019</u>
Expenses		
Program expenses		
Regular education	2,039,096	695,097
Special education	518,641	160,906
Student support and school administration	937,939	518,690
Cafeteria	411,390	171,573
Transportation	262,516	119,130
	<u>4,169,582</u>	<u>1,665,396</u>
General administrative expenses	378,473	271,201
	<u>4,548,055</u>	<u>1,936,597</u>
Change in net assets	787,079	51,422
Net assets, beginning of year	51,161	(261)
Net assets, end of year	<u>\$ 838,240</u>	<u>\$ 51,161</u>

See accompanying notes to financial statements.

Northshore Charter School
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Expenses					Total Program Expenses	Support	
	Regular Education	Special Education	Student Support and School Administration	Cafeteria	Transportation		General Administrative Expenses	Total Expenses
Salaries and wages	\$ 1,174,506	\$ 333,104	\$ 468,096	\$ 95,611	\$ 172,359	\$ 2,243,676	\$ 133,355	\$ 2,377,031
Employee benefits	448,908	127,924	175,509	45,330	69,865	867,536	47,897	915,433
Compensated absences	41,604	11,821	16,615	3,436	6,114	79,590	4,731	84,321
Educational supplies	259,819	12,954	-	-	-	272,773	-	272,773
Health services and supplies	-	-	4,826	-	1,000	5,826	-	5,826
Meals purchased	-	-	-	191,255	-	191,255	-	191,255
Cafeteria supplies	-	-	-	40,806	-	40,806	-	40,806
Rents and leases	86,138	24,474	34,399	7,113	-	152,124	12,643	164,767
Repairs and maintenance	-	-	34,550	14,556	10,570	59,676	4,282	63,958
Utilities	-	-	42,878	1,734	-	44,612	5,498	50,110
Depreciation	-	-	38,465	6,689	365	45,519	4,374	49,893
Insurance	15,260	4,336	6,094	1,260	2,243	29,193	54,530	83,723
Professional services	-	-	16,500	-	-	16,500	42,320	58,820
Staff development	7,048	2,590	-	-	-	9,638	-	9,638
Office supplies and services	-	-	92,951	2,566	-	95,517	20,657	116,174
Marketing	-	-	-	-	-	-	11,826	11,826
Travel	5,813	1,438	7,056	1,034	-	15,341	-	15,341
Taxes and penalties	-	-	-	-	-	-	36,360	36,360
	<u>\$ 2,039,096</u>	<u>\$ 518,641</u>	<u>\$ 937,939</u>	<u>\$ 411,390</u>	<u>\$ 262,516</u>	<u>\$ 4,169,582</u>	<u>\$ 378,473</u>	<u>\$ 4,548,055</u>

See accompanying notes to financial statements.

**Northshore Charter School
Statement of Functional Expenses
For the Year Ended June 30, 2014**

	Program Expenses					Total Program Expenses	Support	Total Expenses
	Regular Education	Special Education	Student Support and School Administration	Cafeteria	Transportation		General Administrative Expenses	
Salaries and wages	\$ 403,416	\$ 107,058	\$ 264,015	\$ 33,487	\$ 73,957	\$ 881,933	\$ 106,970	\$ 988,903
Employee benefits	140,679	37,981	40,421	21,547	34,665	275,293	78,340	353,633
Compensated absences	11,427	3,306	7,456	897	2,095	25,181	2,843	28,024
Educational supplies	130,321	9,056	-	-	-	139,377	-	139,377
Health services and supplies	-	-	72,949	-	-	72,949	-	72,949
Meals purchased	-	-	-	72,070	-	72,070	-	72,070
Cafeteria supplies	-	-	-	35,221	-	35,221	-	35,221
Rents and leases	-	-	8,985	363	-	9,348	1,152	10,500
Repairs and maintenance	-	-	33,442	1,671	2,392	37,505	4,286	41,791
Utilities	-	-	20,013	809	-	20,822	2,564	23,386
Depreciation	-	-	4,225	2,354	213	6,792	900	7,692
Insurance	4,635	1,341	3,205	364	5,803	15,348	23,518	38,866
Professional services	-	-	-	-	-	-	24,705	24,705
Staff development	3,387	979	-	-	-	4,366	-	4,366
Office supplies and services	-	-	49,702	2,790	5	52,497	15,660	68,157
Marketing	-	-	-	-	-	-	9,751	9,751
Travel	1,232	1,185	14,277	-	-	16,694	-	16,694
Interest	-	-	-	-	-	-	512	512
	<u>\$ 695,097</u>	<u>\$ 160,906</u>	<u>\$ 518,690</u>	<u>\$ 171,573</u>	<u>\$ 119,130</u>	<u>\$ 1,665,396</u>	<u>\$ 271,201</u>	<u>\$ 1,936,597</u>

See accompanying notes to financial statements.

Northshore Charter School
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 787,079	\$ 51,422
Adjustments to reconcile the increase in net assets to cash provided by operating activities:		
Depreciation	49,893	7,692
(Increase) decrease in:		
Grants receivable	(175,184)	26,328
Prepaid expenses	(46,238)	(52,520)
Security deposits	(6,951)	(11,853)
Increase (decrease) in:		
Accounts payable	36,864	(27,839)
Retirement payable	52,111	74,216
Accrued expenses	174,110	22,824
Accrued compensated absences	84,321	28,024
Net cash provided by operating activities	<u>956,005</u>	<u>118,294</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(461,330)</u>	<u>(27,375)</u>
Net cash used in investing activities	<u>(461,330)</u>	<u>(27,375)</u>
Cash Flows From Financing Activities		
Payments on notes payable	<u>(43,333)</u>	<u>(52,983)</u>
Net cash used in financing activities	<u>(43,333)</u>	<u>(52,983)</u>
Increase in cash and cash equivalents	451,342	37,936
Cash and cash equivalents, beginning balance	92,738	54,802
Cash and cash equivalents, ending balance	<u>\$ 544,080</u>	<u>\$ 92,738</u>

See accompanying notes to financial statements.

Northshore Charter School

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Nature of Operations

Northshore Charter School, Inc. (the "School"), was created as a non-profit corporation under the laws of the State of Louisiana (the "State") on June 11, 2012. On July 1, 2013 the School was granted a five year charter by the Louisiana Board of Elementary and Secondary Education ("BESE") to operate a Type 2 charter school. The School serves eligible students in kindergarten through the twelfth grade.

Financial Statement Presentation

The School follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statement*. Under FASB ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets that are not subject to donor-imposed stipulations are classified as unrestricted. These may be designated for specific purposes by action of the Board.
- Temporarily restricted net assets - support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Donor restricted support that will be met either by action of the School and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations and be maintained permanently by the School are classified as permanently restricted.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use the restricted resources first, then unrestricted resources as needed. At June 30, 2015 and 2014, the School's net assets were unrestricted.

Basis of Accounting

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

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs and other 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.

Northshore Charter School

Notes to Financial Statements

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported net assets.

Cash and Cash Equivalents

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

Prepaid Expenses

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

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life between 5 – 7 years. Betterments of \$5,000 or more that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Expenses for repairs and maintenance are recorded as operating expenses as occurred.

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

Receivables

Grants receivable consist of federal and state funds passed through the Louisiana Department of Education. The balance is considered to be fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Revenues

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

Compensated Absences

Employees earn 10 days paid leave per year to be used in the event of their own illness, an immediate family member's illness, bereavement, visits to required medical practitioners, or personal business. Unused leave can be carried from one year to the next, not to exceed 90 days. Upon retirement and/or death, an employee will be paid any unused sick pay not to exceed 25 days. At June 30, 2015 and 2014, the School had accrued compensated absences of \$112,345 and \$28,024, respectively. The liability is reflected in the statement of financial position as a noncurrent liability. Only the compensated absences payable to current terminating employees are reported as current liabilities.

Marketing

Marketing costs are expensed as incurred and reported as general administrative expenses. Marketing expense was \$11,826 and \$9,751 for the years ended June 30, 2015 and 2014, respectively.

Northshore Charter School

Notes to Financial Statements

Income Taxes

The School has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, the School is no longer subject to federal or state examinations by tax authorities for the year before 2012.

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

The IRS assessed \$36,360 of penalties due to non-filing of prior years' Form 990. This balance is recorded within accounts payable on the statement of net position at June 30, 2015. See Note 9, subsequent events.

2. Property and Equipment

Property and equipment consists of the following at June 30, 2015:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures, and equipment	\$ 300,354	\$ 52,551
Leasehold improvements	171,501	-
	<u>471,855</u>	<u>52,551</u>
Less: accumulated depreciation	<u>(57,585)</u>	<u>(7,692)</u>
	414,270	44,859
Construction in progress	46,426	4,400
	<u>\$ 460,696</u>	<u>\$ 49,259</u>

Construction in progress relates to costs incurred for the construction of a covered walkway and is expected to be completed during the 2016 fiscal year.

Depreciation expense for the years ended June 30, 2015 and 2014, was \$49,893 and \$7,692, respectively.

3. Retirement Plans

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

Northshore Charter School

Notes to Financial Statements

Teachers' Retirement System of Louisiana

The Teachers' Retirement System of Louisiana (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. 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.

Plan members are required to contribute 8.00% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The rate was 28.00% and 27.20% of annual eligible covered payroll for the years ended June 30, 2015 and 2014, respectively. Member contributions and employer contributions for the TRSL are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contributions to TRSL were \$601,552 and \$239,568 for the years ended June 30, 2015 and 2014, respectively.

Louisiana School Employees' Retirement System

The Louisiana School Employees' Retirement System (the "LSERS") provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information for the LSERS. The report may be obtained by writing to the Louisiana School Employees' Retirement System, PO Box 44516, Baton Rouge, Louisiana 70804.

Plan members are required to contribute 8.00% of their annual covered salary. The rate was 33.00% and 32.30% of annual eligible covered payroll for the years ended June 30, 2015 and 2014, respectively. Member contributions and employer contributions for the LSERS are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to LSERS were \$66,697 and \$25,452 for the years ended June 30, 2015 and 2014, respectively.

4. Notes Payable

The School obtained a \$100,000 non-interest bearing loan from the Louisiana Department of Education, Office of Portfolio on April 9, 2013. The loan requires 3 annual payments of \$33,333 payable June 30 of each fiscal year with final payment due June 30, 2016. The loan balance at June 30, 2015 is \$33,333 and is due June 30, 2016.

5. Concentrations

The School receives a substantial part of its revenue through MFP funding provided by the State Public School Fund and BESE. For the year ended June 30, 2015, the School received a total of \$4,514,237 through MFP funding which represents approximately 85% of revenues.

In the normal course of operations, the School maintains cash deposits with financial institutions which, from time to time, may exceed federally insured limits. At June 30, 2015, deposits exceeded FDIC limits by \$451,730. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

Northshore Charter School

Notes to Financial Statements

6. Lease Commitment

On May 22, 2014, the School entered into an operating lease agreement for modular buildings. The term of the lease is 48 months with equal monthly payments of \$11,853 beginning August 14, 2014. On April 8, 2015, the School entered into an operating lease agreement for a modular building. The term of the lease is 60 months with equal monthly payments of \$6,951 beginning July 3, 2015.

Future minimum payments under these two agreements are as follows:

<u>For the Year</u> <u>Ended June 30:</u>	<u>Amount</u>
2016	\$ 225,648
2017	225,648
2018	225,648
2019	95,265
2020	83,412
	<u>\$ 855,621</u>

7. 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.

State and Federal Programs

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. Per the Type 2 Charter agreement between the School and the Louisiana Department of Education, the School must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. Charter schools are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end. The School must also submit their annual audit to the Bureau of Internal Audit, Louisiana Department of Education by six months after their fiscal year end. Failure to meet this requirement can result in a freeze in funding.

Northshore Charter School

Notes to Financial Statements

All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, should not, in the opinion of management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

8. Board Member Compensation

<u>Board Member</u>	<u>Amount</u>
R.L. Palmer	\$ -
Linda Jerry	-
William Wainwright	-
Debra Taylor	-
Al St. Pierre	-
Bob Rogan	-
Presious Johnson	-
	<u>\$ -</u>

9. Subsequent Events

Management has evaluated subsequent events through February 22, 2016, which is the date the financial statements were available to be issued.

IRS Penalties

On November 4, 2015, the IRS placed a lien on the School's property for penalties totaling \$36,360 due to non-filing of prior years' Form 990. The School has since filed all necessary tax forms. The School did not contest the IRS' assessment and paid the \$36,360 on November 20, 2015. The lien on the School's property was removed December 2, 2015.

Supplementary Information

Northshore Charter School
Schedule of Compensation, Benefits, and Other Payments to School Head
For the Year Ended June 30, 2015

School Head: Julie Rodriguez
Position: Principal

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 93,000
Benefits - insurance	9,928
Benefits - retirement	26,040
Travel	976
Registration fees	1,300
	<u>\$ 131,244</u>

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

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Northshore Charter School, (the "School") 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 the School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education ("BESE") Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable provisions of *Government Auditing Standards* published by the United States Comptroller General. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

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 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 Noted.

Schedule 2 – Education Levels of Public School Staff

2. We reconciled the total number of full time classroom teachers per Schedule 4 – Experience of Public Principal, Assistant Principal, and Full Time Classroom Teachers to the combined total number of full time classroom teachers per Schedule 2 and to the School's supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per Schedule 4 – Experience of Public Principal, Assistant Principal, and Full Time Classroom Teachers to the combined total of principals and assistant principals per Schedule 2.
4. We obtained a list of principals, assistant principals, and full time teachers by classification as of October 1st and as reported on Schedule 2. We traced each of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings: None noted.

Schedule 3 – Number and Type of Public Schools

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

Findings: None noted.

Schedule 4 – Experience of Public Principal, Assistant Principal, and Full Time Classroom Teachers

6. We obtained a list of principals, assistant principals, and full time teachers by classification as of October 1st and as reported on the schedule, 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.

Schedule 5 – Public School Staff Data

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 equivalents as reported on Schedule 5 and traced each 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.
8. We recalculated the average salaries and full time equivalents reported on Schedule 5.

Findings: None noted.

Schedule 6 – Class Size Characteristics

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 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings: None noted.

Schedule 7 – Louisiana Educational Assessment Program (LEAP)

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 the School.

Findings: None noted.

Schedule 8 – Graduation Exit Exam (GEE)

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

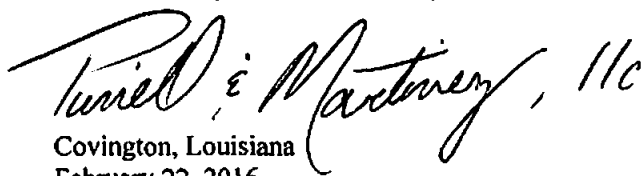
Schedule 9 – Integrated Louisiana Educational Assessment Program (iLEAP)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in Schedule 9 by the School.

Findings: None noted.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the performance and statistical data accompanying the annual financial statements of the School. 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 use of management and the Board of Directors of the School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, 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 Louisiana Legislative Auditor as a public document.


Covington, Louisiana
February 22, 2016

Northshore Charter School Performance and Statistical Data

Schedule 1 – General Fund Instructional and Support Expenditures / 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 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principal, Assistant Principal, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic and Unsatisfactory. This schedule includes three years of data, when available.

Schedule 8 - Graduation Exit Exam

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

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data, when available.

Northshore Charter School
Schedule 1 – General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2015

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 1,383,110
Other Instructional Staff Salaries	156,354
Instructional Staff Employee Benefits	576,832
Purchased Professional and Technical Services	16,500
Instructional Materials and Supplies	272,773
Instructional Equipment	10,402
Total Teacher and Student Interaction Activities	<u>2,415,971</u>

Other Instructional Activities -

Pupil Support Services	128,990
Less: Equipment for Pupil Support Services	-
Net Pupil Support Services	<u>128,990</u>

Instructional Staff Services	91,885
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	<u>91,885</u>

School Administration	476,822
Less: Equipment for School Administration	-
Net School Administration	<u>476,822</u>

Total General Fund Instructional Expenditures **\$ 3,113,668**

Total General Fund Equipment Expenditures **\$ -**

Certain Local Revenue Sources

Local Taxation Revenue	\$ -
Local Earnings on Investment in Real Property	-
State Revenue in Lieu of Taxes	-
Nonpublic Textbook Revenue	-
Nonpublic Transportation Revenue	-

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 2 – Education Levels of Public School Staff
As of October 1, 2014

Category	Full Time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	12	46%	5	19%				
Master's Degree	8	31%			1	50%		
Master's Degree +30	1	4%			1	50%		
Specialist in Education								
Ph.D. or Ed.D.								
Total	21	81%	5	19%	2	100%	0	0

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 3 – Number and Type of Public Schools
For the Year Ended June 30, 2015

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

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School

Schedule 4 – Experience of Public Principal, Assistant Principal, and Full-Time Classroom Teachers

As of October 1, 2014

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Principals					1			1
Assistant Principals					1			1
Classroom Teachers	8	1	8	1	3	1	2	24
Total	8	1	8	1	5	1	2	26

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 5 – Public School Staff Data
For the Year Ended June 30, 2015

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$46,035	N/A
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,035	N/A
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	26	N/A

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 6 – Class Size Characteristics
As of October 1, 2014

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	35%	7	55%	11	10%	2	0%	0

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 7 – Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2015

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2015		2015		2015		2015	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4								
Advanced	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mastery	7	14.89%	1	2.13%	3	5.36%	0	0.00%
Basic	16	34.04%	7	14.89%	14	25.00%	20	35.71%
Approaching Basic	16	34.04%	28	59.57%	28	50.00%	21	37.50%
Unsatisfactory	8	17.02%	11	23.40%	11	19.64%	15	26.79%
Total	47	100.00%	47	100.00%	56	100.00%	56	100.00%

See independent accountants' report on applying agreed-upon procedures.

Northshore Charter School
Schedule 8 – Graduation Exit Exam (GEE)
For the Year Ended June 30, 2015

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

Northshore Charter School
Schedule 9 – Integrated Louisiana Educational Assessment Program (iLEAP)
For the Year Ended June 30, 2015

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2015		2015		2015		2015	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mastery	7	14.89%	7	10.94%	3	5.36%	0	0.00%
Basic	16	34.04%	13	20.31%	14	25.00%	20	35.71%
Approaching Basic	16	34.04%	26	40.63%	28	50.00%	21	37.50%
Unsatisfactory	8	17.02%	18	28.13%	11	19.64%	15	26.79%
Total	47	100.00%	64	100.00%	56	100.00%	56	100.00%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2015		2015		2015		2015	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mastery	2	5.00%	1	2.50%	0	0.00%	0	0.00%
Basic	11	27.50%	5	12.50%	9	16.98%	11	20.37%
Approaching Basic	18	45.00%	19	47.50%	19	35.85%	13	24.07%
Unsatisfactory	9	22.50%	15	37.50%	25	47.17%	30	55.56%
Total	40	100.00%	40	100.00%	53	100.00%	54	100.00%

See independent accountants' report on applying agreed-upon procedures.

*Reports Required by
Government Auditing Standards*

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Northshore Charter School
Bogalusa, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northshore Charter School (the "School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2015-1, 2015-2, and 2015-3 to be material weaknesses.

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.

Compliance and Other Matters

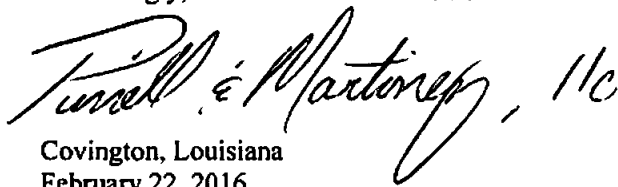
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2015-4.

Northshore Charter School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Covington, Louisiana
February 22, 2016

**Northshore Charter School
 Summary of Auditors' Results and Schedule of Findings
 For the Year Ended June 30, 2015**

A. Summary of Audit Results

Financial Statements

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

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

2015 – 1 Material Weakness: Segregation of Duties

Criteria

Accounting duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition

There is a lack of segregation of duties among the School's personnel. The Chief Financial Officer has access to the general ledger, cash receipts, cash disbursements, and blank check stock and has the authority to sign checks. In addition, the Chief Financial Officer prepares and posts journal entries to the accounting records without the review or approval by someone other than the preparer when recorded.

Effect

Transactions could be applied incorrectly and assets can be misappropriated.

Cause

There are a limited number of personnel for certain functions.

Recommendation

This situation is common in organizations of similar size and elimination of this weakness may not be practical based on the staffing level of the School. However, the accounting duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. Individuals who have access to the accounting software should not have check signing authority and disbursements over a certain threshold should require two signatures.

**Northshore Charter School
Summary of Auditors' Results and Schedule of Findings
For the Year Ended June 30, 2015**

In addition, we recommend secondary review of all journal entries which supports a sound internal control environment. Journal entries posted to the accounting records should be reviewed and approved by someone other than the person proposing the journal entry. The review and approval should include a review of the supporting information used to develop the journal entry.

Management's Response and Corrective Action Plan

See Management's Response and Corrective Action Plan in the attached letter.

2015 – 2 Material Weakness: Accounting Close Process

Criteria

The accounting close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited, and prepared into a variety of regulatory and management financial reports. This process includes closing the general ledger, preparing the trial balance, and accumulating and posting journal entries.

Condition

We noted the following items related to the School's accounting close process that, when considered in the aggregate, we consider to be a material weakness:

- The School's trial balance contained inconsistencies within account balances, including: cash, fixed assets, payables, and expenses and did not agree to supporting documentation.
- Quantity and dollar amount of audit adjustments as a result of our audit procedures relating to errors in the School's accounts.
- Limited internal control procedures that would enable the proper cutoff and timely recording of liabilities under the accrual basis of accounting.

Cause

There is a lack of policies and procedures in place to cover all matters required in closing the School's year, preparing closing journal entries, sufficient management review of adjustments, and other journal entries.

Effect

Until this material weakness is remediated, there is a reasonable possibility that a misstatement to the annual financial statements could occur and not be prevented or detected by the School's controls in a timely manner.

Recommendation

We recommend management review its current procedures for key processes, including the accounting close process, and determine the appropriateness of those processes for preventing and detecting misstatements and preparing a reliable / accurate trial balance. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure responsibilities and accountability are put into place for the processes.

**Northshore Charter School
Summary of Auditors' Results and Schedule of Findings
For the Year Ended June 30, 2015**

Management's Response and Corrective Action Plan

See Management's Response and Corrective Action Plan in the attached letter.

2015 – 3 Material Weakness: Bank Reconciliations

Criteria

Our audit testing indicated instances in which the monthly bank reconciliations did not agree with the general ledger cash account balance.

Condition

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

Cause

The primary cause is disbursements listed as outstanding on the bank reconciliations were not recorded to the general ledger, and transactions made in a prior month being edited after the bank reconciliations were completed.

Effect

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

Recommendation

We recommend that the individuals responsible for reconciling the cash balance have adequate knowledge and training to ensure reconciliations are properly completed. Management should then review the monthly bank reconciliations to ensure it is complete and accurate. Any differences between the monthly bank reconciliation and general ledger should be resolved and corrected.

Management's Response and Corrective Action Plan

See Management's Response and Corrective Action Plan in the attached letter.

2015 – 4 Compliance: Timely Submission of Report

Criteria

Per the Type 2 Charter agreement between the School and the Louisiana Department of Education, the School must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. Charter schools are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end. The School must also submit their annual audit to the Bureau of Internal Audit, Louisiana Department of Education by six months after their fiscal year end.

Condition

The June 30, 2015 audited financial statements were not filed within six months of the close of the fiscal year.

Northshore Charter School
Summary of Auditors' Results and Schedule of Findings
For the Year Ended June 30, 2015

Cause

Some documents and schedules requested by the auditors were provided to the auditors after the due date. In addition, issues arose throughout the audit (as noted at finding 2015-1, 2015-2, and 2015-3) that required additional audit testing.

Effect

The School is not in compliance with Louisiana R.S. 24.513-556 which resulted in a freeze in state funding.

Recommendation

We recommend the School to review its current procedures for key processes, including all accounting functions, to ensure the accounting records are closed in a timely manner. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure accountability.

Management's Response and Corrective Action Plan

See Management's Response and Corrective Action Plan in the attached letter.



Where Academic Excellence is the Norm

NORTHSHORE CHARTER SCHOOL
111 WALKER STREET
BOGALUSA, LOUISIANA 70427
Phone (985)782-0005
Fax (985)732-0580
Marc Merriman, Interim CEO

February 22, 2016

Louisiana Legislative Auditor

Northshore Charter School respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Pinell & Martinez, LLP
308 S Tyler Street, Suite 4
Covington, LA 70433

Audit Period: July 1, 2014 – June 30, 2015

The findings from the June 30, 2015 schedule of findings are discussed below. The findings are numbered consistently with the number assigned in the schedule.

SECTION II FINDINGS-FINANCIAL STATEMENTS AUDIT

Finding 2015-1 Material Weakness: Segregation of Duties

Recommendation: This situation is common in organizations of similar size and elimination of this weakness may not be practical based on the staffing level of the School. However, the accounting duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. Individuals who have access to the accounting software should not have check signing authority and disbursements over a certain threshold should require two signatures.

Management's Response and Corrective Action Plan: Northshore Charter School has implemented a new multi-user accounting software which allows greater segregation of duties. Users are assigned roles and access to other areas is restricted. Checks are signed by the data coordinator who does not have access to the accounting software.

Finding 2015-2 Material Weakness: Accounting Close Process

Recommendation: We recommend management review its current procedures for key processes, including the accounting close process, and determine the appropriateness of those processes for preventing and detecting misstatements and preparing a reliable/accurate trial balance. Once the School

has redefined these processes, job descriptions should be developed to support these processes to ensure responsibilities and accountability are put into place for the processes.

Management's Response and Corrective Action Plan: Northshore Charter School has reviewed its current procedures for key processes and made appropriate changes. Reconciliations, a trial balance, adjusting entries, and the adjusted trial balance are reviewed by the CEO and/or the Principal prior to the close of each accounting period. Financial statements will be prepared and reviewed by the CEO and/or Board Finance Committee after the close of each accounting period.

Finding 2015-3 Material Weakness: Bank Reconciliations

Recommendation: We recommend that the individuals responsible for reconciling the cash balance have adequate knowledge and training to ensure reconciliations are properly completed. Management should then review the monthly bank reconciliations to ensure it is complete and accurate. Any differences between the monthly bank reconciliation and general ledger should be resolved and corrected.

Management's Response and Corrective Action Plan: Bank reconciliations are completed each month by the 10th business day. Reconciliation reports are reviewed by the Interim CEO. Any differences identified between the bank reconciliation and the general ledger will be resolved and corrected in a timely manner. Individuals responsible for reconciling accounts will be re-trained to ensure reconciliations are completed properly.

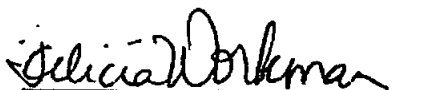
Finding 2015-4 Compliance: Timely Submission of Report

Recommendation: We recommend the School to review its current procedures for key processes, including all accounting functions, to ensure the accounting records are closed in a timely manner. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure accountability.

Management's Response and Corrective Action Plan: Northshore Charter School has amended its current procedures to include engaging an independent public accounting firm to conduct the required annual audit no later than August 30th. Required documentation will be submitted no more than 10 business days from the date of engagement.

If there are any questions regarding this plan, please contact Felicia Workman, Chief Operating/Financial Officer at (985)732-0005.

Sincerely,



Felicia Workman
Chief Operating / Financial Officer

**Northshore Charter School
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015**

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

2014 – 1 Material Weakness: Segregation of Duties

Finding

There is a lack of segregation of duties among the School's personnel. The Chief Financial Officer has unlimited access to the general ledger, cash receipts, cash disbursements, and blank check stock. In addition, the Chief Financial Officer is able to sign checks. Accounting duties should be segregated to provide reasonable assurance that transactions are handled appropriately. Failure to do so could result in transactions being applied incorrectly and assets being misappropriated.

Recommendation

The accounting duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. An individual who does not have access to the accounting software should sign the checks (i.e. the principal, the office manager, or a board member). All transactions over a certain threshold should require two signatures.

Corrective Action Plan

Northshore Charter School is currently in the process of implementing a new multi-user accounting software which will allow greater segregation of duties. Users will be assigned certain functions and access to other areas will be restricted. In addition to this change, transactions over \$10,000 will require two signatures and the Chief Financial Officer will no longer sign checks. This duty will be assigned to an individual who doesn't have access to the accounting software.

Status Update

This situation is common in organizations of similar size and elimination of this weakness may not be practical based on the staffing level of the School. This finding has not been resolved and is noted as a material weakness for the year ended June 30, 2015.

2014 – 2 Material Weakness: Accounting Close Process

Finding

We noted the following items related to the School's accounting close process that, when considered in the aggregate, were considered to be a material weakness:

- The first several versions of the School's trial balance contained numerous inconsistencies within account balances, including: cash, receivables, fixed assets, payables, revenues, and expenses, and amounts reported with the trial balance did not agree to supporting documentation.
- Management did not use accounting software for the fiscal year ending June 30, 2013 and maintained financial transactions manually within spreadsheets. This resulted in various opening account balances for the June 30, 2014 fiscal year to be incorrect.
- Quantity and dollar amount of audit adjustments as a result of our audit procedures relating to errors in the School's accounts.

Northshore Charter School

Summary Schedule of Prior Year Findings

For the Year Ended June 30, 2015

- Double recording of certain transactions and accruals.
- No process in place to review the compensated absences reports and determine if the data used to calculate the compensated absences liability is complete and accurate.
- Limited internal control procedures that would enable the proper cutoff and timely recording of liabilities under the accrual basis of accounting.
- The School does not have an effective process for identifying and correcting the useful life of fixed assets and recording depreciation of fixed assets.

The primary cause is general lack of formalized policies and procedures in place to cover all matters required in closing the School's year, preparing closing journal entries, sufficient management review of adjustments, and other journal entries. Additionally, the School's management is not fully utilizing the capabilities of the SAGE accounting software to obtain the necessary information. Until this material weakness is remediated, there is a reasonable possibility that a misstatement to the annual financial statements could occur and not be prevented or detected by the School's controls in a timely manner.

Recommendation

We recommend management review its current procedures for key processes, including the accounting close process, and determine the appropriateness of those processes for preventing and detecting misstatements and preparing a reliable / accurate trial balance. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure responsibilities and accountability are put into place for the processes.

Corrective Action Plan

Management's Response and Corrective Action Plan: Northshore Charter School will review its current procedures for key processes and make appropriate changes. Reconciliations, a trial balance, adjusting entries, and the adjusted trial balance will be reviewed by the CEO and/or the Principal prior to the close of each accounting period. Financial statements will be prepared and reviewed by the CEO and/or Board Finance Committee after the close of each accounting period.

Status Update

The School has partially implemented corrective action, including, but not limited to, staff training. There are still some processes that need attention and this finding has not been fully resolved for the year ended June 30, 2015. Please see finding 2015-2.

2014 – 3 Material Weakness: Retirement Benefits

Finding

The School did not submit any of the employees' retirement withholdings or the School's contributions to the Louisiana School Employees' Retirement System. Several employees of the School began participating in the Louisiana School Employees' Retirement System on July 1, 2013. Plan members are required to contribute 8.0% of their annual covered salary, and the School's contribution rate for the year ended June 30, 2014 was 32.3%. Employees' retirement withholdings and the School's required contributions can be or may have been used for operating costs of the School, and employees' retirement benefits did not accumulate earnings that may have otherwise accumulated.

**Northshore Charter School
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015**

Recommendation

We recommend management to submit the retirement contributions to the Louisiana School Employees' Retirement System immediately. In addition, the School must review its current procedures for key processes, including all accounting functions. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure accountability.

Corrective Action Plan

Northshore Charter School will submit the outstanding retirement contributions to the Louisiana School Employees' Retirement System immediately. The School will also conduct a review of its current processes to ensure all retirement contributions are submitted in a timely manner.

Status Update

This finding has been resolved for the year ended June 30, 2015.

2014 – 4 Compliance: Timely Submission of Report

Finding

The June 30, 2014 audited financial statements were not filed within six months of the close of the fiscal year resulting in the School not being in compliance with Louisiana R.S. 24.513-556. Per the Type 2 Charter agreement between the School and the Louisiana Department of Education, the School must follow state audit and reporting requirements established by the Louisiana Legislative Auditor and Louisiana R.S. 24:513-556. Charter schools are required to have an annual audit, and they must submit their audits to the Legislative Auditor's Office by six months after their fiscal year end. The School must also submit their annual audit to the Bureau of Internal Audit, Louisiana Department of Education by six months after their fiscal year end. The primary cause of this finding was the School not being able to close the accounting records and provide documents to the auditors in a timely manner.

Recommendation

We recommend the School to review its current procedures for key processes, including all accounting functions, to ensure the accounting records are closed in a timely manner. Once the School has redefined these processes, job descriptions should be developed to support these processes to ensure accountability.

Corrective Action Plan

Northshore Charter School will amend its current procedures to include engaging an independent public accounting firm to conduct the required annual audit no later than August 30th. Required documentation will be submitted no more than 10 business days from the date of engagement.

Status Update

This finding was repeated for the year ended June 30, 2015. See finding 2015-4.