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THE TEXAS CHARTER SCHOOL, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and of her appropriate public officials. The report is available for public inspection at the House Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: 3/27/02

THE TENNESSEE CHARTER SCHOOL, INC.  
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
The Thomas Charter School, Inc.  
305 Lombardi Street  
Newellton, Louisiana 71357

I have audited the accompanying statement of financial position of The Thomas Charter School, Inc. (a nonprofit organization) as of June 30, 2001, and the related statements of activities and cash flows for the sixteen month period then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thomas Charter School, Inc. as of June 30, 2001, and the changes in its net assets and cash flows for the sixteen month period then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 12, 2001, on my consideration of The Thomas Charter School, Inc.'s internal control structure and on my tests of its compliance with certain laws, regulations, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Tallahassee, Louisiana  
November 12, 2001



Exhibit A

THE TENSAS CHARTER SCHOOL, INC.  
 NEWELLTON, LOUISIANA  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2001

ASSETS

Current Assets - Cash		\$ 2,063.02
Property and Equipment		
Building	\$179,856.56	
Furniture and equipment	28,901.46	
Van	<u>1,390.00</u>	
Total property and equipment	\$190,148.02	
Less accumulated depreciation	<u>8,896.72</u>	
Net property and equipment		181,251.30
Other Asset - utility deposit		<u>600.00</u>
Total Assets		<u>\$183,925.32</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 55,817.79	
Notes payable	82,890.00	
Payroll taxes withheld and accrued	13,956.34	
Retirement benefits payable	<u>24,314.71</u>	
Total liabilities		\$176,978.79
Net Assets		<u>6,946.53</u>
Total liabilities and net assets		<u>\$183,925.32</u>

See accompanying notes to financial statements.

THE TENNESSEE CHARTER SCHOOL, INC.  
 NEWELLTON, LOUISIANA  
 STATEMENT OF ACTIVITIES  
 FOR THE SIXTEEN MONTH PERIOD ENDED JUNE 30, 2004

<b>Public Support and Other Revenue:</b>		
Mississian Foundation Program revenue	\$157,229.90	
Intergovernmental	163,385.85	
Interest income	465.38	
Other income	<u>432.49</u>	
Total public support and other revenue		\$364,503.62
<b>Expenses:</b>		
Administrative expense	\$116,538.47	
Program expense	<u>233,718.62</u>	
Total expenses		<u>350,257.09</u>
Increase in unrestricted net assets		\$ 1,246.53
Unrestricted net assets at beginning of period		<u>0</u>
Unrestricted net assets at end of period		<u>\$ 1,246.53</u>

See accompanying notes to financial statements.

THE TENNESSEE CHARTER SCHOOL, INC.  
 NEWELLTON, LOUISIANA  
 STATEMENT OF CASH FLOWS  
 FOR THE SIXTEEN MONTH PERIOD ENDED JUNE 30, 2001

Cash Flows From Operating Activities:		
Increase in net assets	\$ 3,246.52	
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	8,896.72	
Increase in operating liabilities:		
Accounts payable	59,017.75	
Payroll taxes	13,956.24	
Retirement benefits payable	<u>24,314.21</u>	
Net cash provided (used) by operating activities		\$104,431.94
Cash Flows From Investing Activities:		
Payments for purchases of property and equipment	(\$193,158.02)	
Payments for utility deposit	<u>( 680.00)</u>	
Net cash provided (used) by investing activities		( 194,438.02)
Cash Flows From Financing Activities:		
Increase in notes payable	\$125,090.00	
Reduction in notes payable	<u>( 33,900.00)</u>	
Net cash provided by financing activities		<u>91,190.00</u>
Net increase in cash and cash equivalent		\$ 1,663.92
Beginning cash and cash equivalent		<u>          </u>
Ending cash and cash equivalent		<u>\$ 1,663.92</u>

See accompanying notes to financial statements.

THE TENNESSEE CHARTER SCHOOL, INC.  
 MEMPHIS, LOUISIANA  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE SIXTEEN MONTH PERIOD ENDED JUNE 30, 2001

	Administrative Expense	Program Expense	Total
<b>Expenses:</b>			
School bus (van) expense	\$	\$ 3,578.00	\$ 3,578.00
Insurance	18,147.42		18,147.42
School supplies		16,465.17	16,465.17
Retirement expense	5,668.50	20,096.51	25,765.01
Telephone	5,628.73		5,628.73
Testing supplies		1,281.28	1,281.28
Textbooks		3,191.75	3,191.75
Occupancy expense	2,854.57	16,062.57	18,917.14
Equipment rent	1,772.00		1,772.00
Travel	3,197.71	1,965.80	5,163.51
Cultural expense		24,182.60	24,182.60
Discounts fees	1,850.00		1,850.00
Salaries	28,732.54	138,828.15	177,560.69
Depreciation expense	8,896.72		8,896.72
Interest expense	532.18		532.18
Payroll taxes	1,864.35	6,609.62	8,473.97
Office expense	1,779.88		1,779.88
Professional services	31,753.56		31,753.56
Other expense	663.60	464.20	1,127.80
<b>Total</b>	<b>\$116,538.67</b>	<b>\$232,718.02</b>	<b>\$349,256.69</b>

See accompanying notes to financial statements.

THE TENNAR CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Tennar Charter School, Inc. was granted a charter by the State Board of Elementary and Secondary Education in 2000 to provide a stimulating environment to academically challenge elementary school children. The School incorporates firm policies of discipline with parental and community involvement so that students will master essential academic and life skills. The Tennar Charter School, Inc. is a Type 2 Charter School governed by a board of directors.

The Tennar Charter School, Inc. is a nonprofit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code.

**Accounting Year**

For financial reporting purposes, the Tennar Charter School, Inc. operates on a fiscal year beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. These financial statements however, are for a sixteen month period from inception through June 30, 2001, the end of the School's first full fiscal period.

**Public Support and Revenue**

Tennar Charter School, Inc. receives its grant support primarily from the State Department of Education. The Charter School Law specifies that a charter school is to receive a per pupil share of MFP and certain local revenues based on the school's October 1 pupil (membership) count. The per pupil share is to be computed annually and shall be equal to at least the greater of the following:

- The combined state and local share of the per pupil allocation for all levels of the most recent legislatively approved Minimum Foundation Program (MFP) for the school district in which the charter school is located.

OR

- The state per pupil share of all levels of the most recent legislatively approved MFP for the district in which the charter school is located plus a per pupil share of local revenues the district received the prior year from Sixteenth Section Bonds and from Ad Valorem and Sales Taxes (not including those dedicated by the voters or Legislature to capital outlay or debt service) less tax collection fees.



THE TENNAS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Public Support and Revenue (continued)**

A charter school's total allocation from this source is determined by multiplying the applicable per pupil amount times the charter school's October 1 pupil (membership) count. The Charter School Law specifies that all charter school students, regardless of age, shall be counted for funding purposes as long as the students are pursuing a regular high school diploma or a general education development certificate.

The law requires that initial allocations annually be based on revenue estimates and projected pupil counts provided by the Department of Education and be adjusted during the year to reflect actual October 1 pupil counts and prior year local revenue collections. The per pupil allocation for a charter school will vary depending upon the school district in which it is located. A Type 2 charter school receives this funding through the State Department of Education using state funds appropriated by the Legislature.

Contributions of donated monetary assets are recorded at their fair values in the period received. Contributions of donated services that create an enhance nonfinancial assets or that require specialized skills, 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. The Tensas Charter School, Inc. had no temporary or permanently restricted net assets as of June 30, 2001.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The School generally pays for services requiring specific expertise. However, some Board Members and employees volunteer their time and perform a variety of tasks that assist the Organization with administrative programs.

THE TENNAS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and Cash Equivalents**

The School considers all unrestricted, highly liquid investments with an initial maturity of less than three months as cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

**Property and Equipment**

Property and equipment are capitalized at cost. It is the School's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Furniture and equipment are being depreciated over estimated useful lives of five to ten years using a straight-line method. Property and equipment are being depreciated over their estimated useful lives using the straight-line method, using the following lives:

Furniture & fixtures	5 - 7 years
Machinery & equipment	5 - 10 years
Buildings	40 years

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B - PROPERTY AND EQUIPMENT

The changes in general fixed assets are as follows:

	Beginning Balance	Additions	Deductions	Balance June 30, 2001
Building	\$	\$171,856.56	\$	\$171,856.56
Furniture & fixtures		28,501.48		28,501.48
Van		1,500.00		1,500.00
Total	\$	\$181,858.04	\$	\$181,858.04

**THE TENNESSEE CHARTER SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE B - PROPERTY AND EQUIPMENT (continued)**

The general fixed assets are summarized as follows:

	Cost	Accumulated Depreciation	Net Book Value
Building	\$171,856.56	\$ 4,296.42	\$167,560.14
Furniture & fixtures	28,591.46	4,168.30	24,423.16
Van	1,520.00	508.00	1,012.00
<b>Total</b>	<u>\$171,856.56</u>	<u>\$ 8,972.72</u>	<u>\$162,883.84</u>

**NOTE C - NOTES PAYABLE**

At June 30, 2004 The Tennessee Charter Schools, Inc. had three single pay notes with a local bank and a start up loan through the Louisiana State Board of Elementary and Secondary Education (LSBESE). The following is a summary of the notes payable at June 30, 2004:

Tennessee State Bank note dated May 3, 2001 in the original amount of \$15,030.00 with interest at 10.04% payable at maturity, due and payable July 25, 2001, balance June 30, 2004	\$15,030.00
Tennessee State Bank note dated April 20, 2001 in the original amount of \$5,030.00 with interest at 9.54% payable at maturity, due and payable July 25, 2001, balance June 30, 2001	5,030.00
Tennessee State Bank note dated April 5, 2001 in the original amount of \$10,030.00 with interest at 7.75% payable at maturity, due and payable July 25, 2001, balance June 30, 2001	5,030.00
Louisiana State Board of Elementary and Secondary Education (LSBESE) start up loan in the amount of \$200,000.00. To be repaid in three annual payments starting June 30, 2001 without any interest, balance June 30, 2001	\$200,000.00
<b>Total notes payable</b>	<u>\$225,090.00</u>

THE TENNESSEE CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

**NOTE D - RETIREMENT PLAN**

All qualified employees are members of the Teachers' Retirement System of Louisiana. The non-qualified employees are covered by the social security system. The Teachers' Retirement System of Louisiana is a multiple-employer public employee retirement system controlled and administered by a separate board of trustees.

**RETIREMENT BENEFITS**

A member who retires at or after a certain minimum age and years of service is entitled to a monthly retirement benefit payable for life or the joint lives of the member and beneficiary. The benefit formula to calculate the benefit is based on a percentage of the member's average salary for the thirty-six highest successive months.

**FUNDING POLICY**

Member contributions to the System are established by Louisiana Revised Statutes 11:884(A)(1), and rates are established by the Public Retirement Systems' Actuarial Committee. Employer contribution rates are established under Louisiana Revised Statutes 11:885 by the Public Retirement Systems' Actuarial Committee.

For the year ended June 30, 2001 the employer's contribution rate was 14.2% and the employee's contribution rate was 8%. The school's contribution to the System for the year ended June 30, 2001 was \$15,258.14.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Teacher's Retirement System of Louisiana, P.O. Box 94323, Baton Rouge, La 70804-9123, or by calling (225) 925-6446.

**NOTE E - CONTINGENCIES**

The school has purchased a modular building and located it on a lot owned by a former employee and does not have a long-term lease on the property. This could become a problem if the lease cannot be agreed on by both parties.

**DAVID Q. BUCHANAN**  
CERTIFIED PUBLIC ACCOUNTANT  
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TALLAHASSEE, LA 71284  
OR 817 574-0514

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

The Texas Charter School, Inc.  
306 Lombardi Street  
Newellton, Louisiana 71257

I have audited the general purpose financial statements of The Texas Charter School, Inc. for the sixteen month period ended June 30, 2001, and have issued my report thereon dated November 12, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

*As part of obtaining reasonable assurance about whether The Texas Charter School, Inc.'s financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 object of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described below. I also noted certain immaterial instances of noncompliance that I have reported to management of The School in a separate letter dated November 12, 2001.*

1. **Conditions** - The School did not comply with the public bid law of the State of Louisiana when purchasing its building. Therefore, they do not have any way of knowing if the amount they paid was excessive or not.

**Management's Response:**

The board of directors and the administration were not aware that some provisions of the bid law applied to the charter school, but now that they are aware of it, it will be complied with completely.

2. **Condition** - The School paid board members \$25.00 per meeting for a portion of the year when the Charter School Law states that board members shall receive no compensation other than reimbursement of actual expenses incurred while fulfilling duties as a member of the school board.

#### **Management's Response**

The \$25.00 payment per meeting was considered travel reimbursement, but it was stopped prior to the auditors' report and no payment for meetings will be made in the future.

3. **Condition** - On several occasions the School contracted with board members or employees for services. This is a violation of the State of Louisiana Code of Ethics if approval is not requested and received prior to the contract.

#### **Management's Response**

The school will not contract with any employee or board member in the future.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered The Texas Charter School, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below:

1. **Condition** - The School's accounting system did not provide management or the Board of Directors with any financial statements, budget reports or cash flow statements. The only financial data provided to management or the Board of Directors was a listing of unpaid bills for the previous month. The School's accounting system should provide management and the Board of Directors with adequate financial information to be used in planning, monitoring and controlling the financial operation of the school.

### Management's Response

The school has terminated the business office manager's position and contracted with a CPA to provide the related services. These services will include preparation of checks to pay bills and payroll, preparation of payroll reports, retirement reports and financial statements on a monthly basis. The CPA will review the financial statements, budget and cash flow projections with the board at their regular monthly meeting.

2. Condition - There is not adequate separation of duties in relation to cash to reduce to a relatively low level that misstatements would be detected in a timely period.

### Management's Response

By transferring the accounting responsibilities to a CPA as outlined in the response to number one above, the separation of duties problem should be solved.

3. Condition - The School's accounting system (the amount that does exist) does not provide complete, accurate or usable information. Some of these deficiencies were the recording of the Teachers Retirement System liability as a payroll tax liability account and recording of notes payable to a local bank in an account titled "Contracts payable - current". As a result of the way some liabilities were recorded, it could be very misleading to any user. A system of recording the general ledger and financial statements should be adopted that provides any user with clear, concise and accurate information.

### Management's Response

The unpaid payroll taxes and retirement plan debt is an area that the board would like to be informed on and therefore they will see to it that the financial records disclose these liabilities clearly in the future.

4. Condition - The School's accounting system is recorded on the cash basis monthly. This results in unpaid bills not being included on the general ledger or financial statements and some of these unpaid bills are material to the financial statements. An example of this was an unpaid bill on the purchase of the modular portable building in the amount of \$43,134.00. This amount is not included in any financial report prepared by the office manager and used by management or the Board of Directors. The School's accounting records should be complete and include all financial transactions whether or not the bill has been paid.

#### Management's Response

The School agreed that the accounting records should be complete, but the invoice on the building was being disputed and an exact amount has not been determined. A complete listing of unpaid bills was provided to the Board recently so they do have full disclosure. Since they are contracting with an outside CPA to prepare their monthly financial statements, they will request annual basis financial statements.

5. **Condition - Lack of Documentation** - The accounting records should contain documentation supporting every financial transaction. Data should be maintained by the School that provides an audit trail on each deposit and disbursement. In the period under review, the supporting data could not be located for transactions that occurred on several notes at a local bank.

#### Management's Response

The Board members believed they had a supporting invoice for every disbursement made and they did produce a file titled "The Texas State Bank Note". Included in this file was copies of some of their notes with the bank including the dates the loans were made and amounts of the notes, but there was not any documentation of payments made on these notes. Management stated that they would retain documentation on all payments on these notes in the future.

6. **Condition - Lack of Bank Reconciliations** - The School's business manager did not reconcile the bank balance with the balance reflected on the general ledger on a monthly basis. This is a very important step in verifying the accuracy of the financial records and safeguarding the asset of cash. A reconciliation should be prepared monthly and agreed to the general ledger before the books are closed for the month. Without this procedure the School cannot be assured that their records are accurate and that any safeguards for the assets are in place.

#### Management's Response

Management was under the impression that the bank account was being reconciled monthly because the business manager would always give the cash balance when requested. However, they did not realize that it needed to be reconciled to the general ledger. This will be done on a monthly basis in the future.

7. **Condition - Incomplete Personnel Files/Leave Data** - The personnel files do not contain complete data relative to each employee's salaries or pay rates, leave taken or used, remaining leave, etc. These personnel files should contain all data pertinent to the employee.



#### Management's Response

Management was operating under the belief that they had to adopt a formal leave policy before maintaining leave records had any importance. A formal policy will be adopted shortly and all personnel files will be updated to contain all relevant information.

8. Condition - The School does not maintain a complete listing of the school's fixed assets. Without a complete listing of the assets it is impossible to safeguard them and prevent misuse or misappropriation of the assets.

#### Management's Response

Management supplied a file on each purchase of equipment, furniture, van, etc. that contained the date of purchase and cost, but they did not have a master listing of the assets. They agreed to make a detailed listing of the fixed assets to be used as a control.

9. Condition - The School's modular portable building is located on property owned by a former employee and the school does not have a valid lease in place. The School and Mr. Kelly agreed to the verbal lease of \$300.00 per month and the school paid \$1,500.00 of this lease expense before it was found to be an ethics violation by the State of Louisiana. After realizing this, Mr. Kelly refunded the \$1,500.00 and was terminated as an employee, but a lease has still not been signed by both parties. This could pose a serious problem for the school because of the potential expense of moving the building if a lease cannot be agreed upon and the possibility of Mr. Kelly requesting an unreasonable amount of rent.

#### Management's Response

The signing of a lease is an issue that management believes is very important. They have spent many hours on this in the past and have instructed their attorney to negotiate and obtain a lease.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe both of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the School and the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties. The restriction is not intended to limit the distribution of this report, which is a matter of public record.

Tulahoma, Louisiana  
November 12, 2004



THE TOMBAS CHARTER SCHOOL, INC.  
NEWELLTON, LOUISIANA  
PAYMENTS TO BOARD OF DIRECTORS  
FOR THE SIXTEEN MONTH PERIOD ENDED JUNE 30, 2009

Alma Carter	\$ 275.00
James Jackson	300.00
Theodore Jackson	275.00
Larry Scott	<u>200.00</u>
Total	<u>\$1,050.00</u>

**DAVID Q. RICHARDSON**  
CERTIFIED PUBLIC ACCOUNTANT  
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Tulahoma, LA 71284  
(504) 834-0814

**MANAGEMENT LETTER**

Board of Directors  
The Texas Charter School, Inc.  
308 Lombardi Street  
New Orleans, Louisiana 71157

I have audited the financial statements of The School as of and for the sixteen month period ended June 30, 2001 and issued my report thereon dated November 12, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As a result of planning and performing my audit, certain matters came to my attention, that are not reflected in any of the aforementioned reports, which I feel worthy of consideration by the board. These matters are presented below:

1. In reviewing the financial records, I noticed several checks that were used to purchase flowers for the families of relatives of students. I do not believe this is an appropriate use of taxpayers funds and should be stopped immediately.
2. I could not find any evidence that The School had posted notices of board meetings. Since the Charter School Law requires that the board should adopt policies to insure they comply with the open meeting law of the State of Louisiana.
3. Required payroll reports were not filed and W-2 forms were prepared incorrectly. This can have very serious financial concerns if the IRS will not waive the penalties associated with the delinquent returns.
4. Currently, backup diskettes on the accounting system are not run very often and when they are, they are left in the accounting office. These backup diskettes should be kept at a secure off-site location.

Management's response to the above findings were as follows:

1. The school will not purchase flowers or any similar items for any funerals in the future.
2. Regular meetings were posted, but notices of special meetings were not posted. In the future notices of all meetings will be posted for public notice and some evidence of the posting will be retained.

3. The school intends to hire an outside CPA to prepare all payroll reports, W-2, etc. in the future, therefore this should resolve the problem.
4. In the future the School intends to have its general ledger and financial statements prepared by an outside CPA. This should solve this problem because there will be a copy of the records in his office as well as at the school.

This was The School's first year of operation and problems are always expected in a new organization, but some of these matters need immediate attention.

I wish to express my appreciation to you and your staff for all the courtesy and assistance I received during the audit. I hope that these comments and recommendations will further assist you in enhancing The School's financial management.

Tululah, Louisiana  
November 12, 2001

