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**LOUISIANA CHARTER SCHOOLS, INC.**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2003**

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

Release Date 1-28-04

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Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Louisiana Charter Schools, Inc.**

We have audited the accompanying statement of financial position of **Louisiana Charter Schools, Inc. (LCS)** (a non-profit corporation) as of June 30, 2003 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **LCS**. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LCS** as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Louisiana Charter Schools, Inc.**  
Page 2

The accompanying financial statements have been prepared assuming that LCS will continue as a going concern. As discussed in NOTE 9 to the financial statements, LCS's failure to be funded by a key funding source raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of LCS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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 our audit. Also, that report contained instances of noncompliance.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

December 12, 2003

**LOUISIANA CHARTER SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2003**

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ASSETS

Cash (NOTE 3)	\$ 27,451
Due from State	<u>13,795</u>
Total assets	<u>\$ 41,246</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ <u>16,328</u>
Total liabilities	<u>16,328</u>
Commitments and Contingencies (NOTE 5)	
Net Assets:	
Unrestricted (NOTE 2)	<u>24,918</u>
Total liabilities and net assets	<u>\$ 41,246</u>

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

**LOUISIANA CHARTER SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**REVENUES**

From Local Sources:

Extended day	\$ 20,378
Other	<u>10,176</u>

Total revenues from local sources	<u>30,554</u>
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From State Sources:

Minimum Foundation Program	1,544,677
Other	<u>4,372</u>

Total revenues from state sources	<u>1,549,049</u>
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Total revenues	<u>1,579,603</u>
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**EXPENSES**

Instruction:

Regular	620,210
Special	42,862
Other	21,643

Support Services:

Pupil	49,350
Staff services	61,393
School administration	218,541
Business services	123,071
Operation and maintenance	311,429
Central services	4,443
Food services	<u>101,743</u>

Total expenses	<u>1,554,685</u>
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Change in net assets	24,918
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Net assets, beginning of year	<u>-0-</u>
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Net assets, end of year	<u>\$ 24,918</u>
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The accompanying notes are an integral part of these financial statements.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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Cash Flows from Operating Activities:	
Change in net assets	\$ 24,918
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in assets:	
Due from State	(13,795)
Increase in liabilities:	
Accounts payable	<u>16,328</u>
 Net cash provided by operating activities	 <u>27,451</u>
 Net increase in cash	 27,451
 Cash, beginning of year	 <u>-0-</u>
 Cash, end of year	 <u>\$ 27,451</u>
 Supplemental Disclosures:	
Interest paid during the year ended June 30, 2003	 <u>\$ -0-</u>

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

**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - Nature of Operation

In September 2000, **Louisiana Charter Schools, Inc. (LCS)** was provisionally granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) to operate an independent public school, SABIS International School of New Orleans, in accordance with the Revised Louisiana Charter School Demonstration Programs Law.

In September 2002, SABIS International School of New Orleans (**the School**) opened for grade levels kindergarten through fifth and with an enrollment of approximately 290 students.

On August 1, 2001, LCS engaged New Orleans Education Management LLC (NOEM) to provide educational and other services to and on behalf of **the School** in accordance with provisions of the Charter School Laws and any other applicable laws and regulations. Under the referenced agreement, NOEM is responsible for the day-to-day operations of **the School** and the education of all students enrolled in **the School**.

Furthermore, in the management contract with LCS, NOEM agrees in the event that no surplus of funds remains from the per-pupil funding or other revenues, after all expenses of **the School** have been paid, NOEM shall bear sole financial responsibility for all remaining expenses and neither **the School**, nor LCS shall have any obligation to contribute additional funds. See NOTE 7 for additional discussion.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of LCS are prepared on the accrual basis. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.



**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires LCS to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under SFAS No. 117, LCS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, LCS is required to present a statement of cash flows. At June 30, 2003, LCS has neither temporarily nor permanently restricted net assets.

Fair Value of Financial Instruments

The estimated fair value of all significant financial statement amounts have been determined by LCS using available market information and appropriate valuation methodologies.

LCS considers the carrying amount of cash, to approximate fair value.

Promises to Give

Contributions are recognized when the donor makes a promise to give to LCS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Promises to Give, Continued

LCS uses the allowance method to determine the collectibility of unconditional promises to give. For the first year of LCS's operation, the allowance is based on management's analysis of specific promises made.

Minimum Foundation Program

LCS receives funding from BESE in an amount for pupils based on estimated daily attendance in **the School**. The amount of funding received is adjusted during the school year based on the October 1, student count and the results of any audits performed.

Other Funding

Other revenues received by LCS consist of state grants for child care services, extended day fees, fees for meals served and other revenue sources.

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 instructional and support services in the accompanying statement of activities.

Statement of Cash Flows

For purposes of the statement of cash flows, LCS considers all investments with original maturities of three months or less to be cash equivalents. At June 30, 2003, LCS had no cash equivalents.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Use of Estimates

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

Income Taxes

On November 13, 2002, LCS applied to the Internal Revenue Service under its Code Section 501(c)3 for an exempt organization status. At December 12, 2003, the application process is pending resolution of open items.

Equipment

Equipment acquired with BESE funds are expensed when acquired. As noted in NOTE 8 to the financial statements, the School ceased to operate for the 2003-04 fiscal year due to the lack of State funding. As such, the equipment acquired by LCS during the fiscal year must be returned to BESE, as required by state law. The value of this equipment, as of June 30, 2003, was \$5,050.

NOTE 3 - Cash

At June 30, 2003, LCS's cash balance consists of the following:

Demand deposits	\$22,442
Time deposits	<u>5,009</u>
Total	<u>\$27,451</u>

**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Related Party Transaction**

During the year ended June 30, 2003, **LCS** paid \$10,400 for office space used by the Board of Directors. This office space was leased to **LCS** by its board president.

**NOTE 5 - Risk Management**

**LCS** is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **LCS** carries commercial insurance, covering **the School's** operation only. During the year ended June 30, 2003, the Board of Directors of **LCS** was not covered with officers' and directors' insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 6 - Concentration of Credit Risk**

**LCS** maintains cash balances at a local bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

**LCS** receives primarily all of its revenues from BESE. See NOTE 8 for additional discussion.

**NOTE 7 - Contingencies and Commitments**

**LCS** is a recipient of funding from BESE through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of **LCS** and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 7 - Contingencies and Commitments, Continued

At December 12, 2003, various federal and state grant applications are in the process of being evaluated for approval by funding agencies. Should these grant applications be subsequently approved, LCS could claim and reimburse NOEM \$279,000 in potential grant expenses incurred by NOEM. The expenses were incurred at NOEM's sole discretion during the year ended June 30, 2003.

Grant receivables were not recorded to the financial statements of LCS as of June 30, 2003, because of the pending status of grant applications referred to above.

NOTE 8 - Subsequent Events

The Legislature of the State of Louisiana did not appropriate any funds to **the School** for the 2003-04 fiscal year. As a result, BESE and the Louisiana Department of Education (LDOE) were not authorized to fund **the School**. Due to the lack of funding by BESE and LDOE, **the School** will cease to operate in the 2003-04 fiscal year. **The School** must follow the provisions in LSA-RS17:3991(H) and 17:3995(E), which govern the disposition of property when a charter school closes.

NOTE 9 - Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplates continuation of LCS as a going concern. However, key funding by BESE of **the School** has been discontinued by BESE for the 2004 fiscal year.

LCS was incorporated with the expressed intent to operate a charter school. In the subsequent fiscal year, LCS's Board plans to undertake the necessary action to include liquidation.





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

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To the Board of Directors of  
**Louisiana Charter Schools, Inc.**

We have audited the financial statements of **Louisiana Charter Schools, Inc. (LCS)**, as of and for the year ended June 30, 2003 and have issued our report thereon dated December 12, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether **LCS's** financial statements are free of material misstatement, we 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 objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2003-01 and 2003-02.

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

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**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered LCS's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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This report is intended solely for the information and use of the Board of Directors, management, BESE, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

December 12, 2003



**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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We have audited the financial statements of **Louisiana Charter Schools, Inc. (LCS)** as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Controller General of the United States.

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal Control Over Major Programs:	
• Material weakness(es) identified?	N/A*
• Reportable condition(s) identified that are not considered to be material weakness(es)?	N/A*

\*N/A = Not Applicable

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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**Section I - Summary of Auditors' Results, Continued**

*Federal Awards, Continued*

Type of auditors' report issued on compliance for major programs:	N/A*
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	N/A*
Identification of Major Program:	N/A*
Dollar threshold used to distinguish between type A and type B programs:	N/A*
Auditee qualified as low-risk auditee?	N/A*

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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**Section II - Financial Statement Findings and Questioned Costs**

**Reference Number**

2003-01

**Criteria**

In accordance with Louisiana Revised Statute 17:3991(C)(1)(c)(6)(a), a charter school must employ teachers certified by the state board or the French Ministry of Education for at least seventy-five percent (75%) of the instructional staff employed by the charter school.

**Condition**

Our review of LCS's compliance with the referenced criteria revealed that only four (4) out of seventeen (17) teachers were certified. As such, at June 30, 2003, only twenty-four (24) percent (24%) of LCS's instructional staff are certified by the state board or the French Ministry of Education.

**Questioned Costs**

None.

**Effect**

Non-compliance with requirements of Louisiana Revised Statute 17:3991(C)(1)(c)(6)(a).

**Cause**

The availability of certified teachers to the overall teacher population and LCS's inability to employ the required percentage of certified instructors.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2003**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2003-01, Continued

**Recommendation**

None. LCS was not funded by BESE for the current 2003-04 fiscal year.

**Management's Response**

The Board of Directors concurs with the finding.

**LOUISIANA CHARTER SCHOOLS, INC.  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2003**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2003-02

**Criteria**

Only expenses approved by BESE in the 2003 fiscal year's administrative budget for the Board of Directors are considered allowable costs of LCS.

**Condition**

We noted expenses incurred by the Board of Directors that were not approved by BESE as allowable administrative expenses. These unauthorized, unbudgeted expenses are as follows:

**Description**

Rent paid for office space for the board.	\$10,400
Wireless phone service charges for board members.	2,142
Gasoline purchases for certain board members.	<u>300</u>
Total	<u>\$12,842</u>

**Questioned Costs**

\$12,842

**Effect**

Noncompliance by LCS with the approved administrative budget line item expenses for rent, telephone and gasoline.

**LOUISIANA CHARTER SCHOOLS, INC.  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2003**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2003-02, Continued

**Cause**

LCS incurred the expenses prior to BESE's finalization of LCS's administrative budget.

**Recommendation**

We recommend that BESE determine the ultimate resolution to this finding.

**Management's Response**

The management of LCS will continue to dialogue with BESE in an effort to resolve the referenced finding. Anticipated completion date is June 30, 2004.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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

During the year ended June 30, 2003, LCS received no direct and/or pass-through federal awards.

**Section IV - Status of Prior Year's Findings and Questioned Costs**

This is the first operating year of LCS, therefore this section is not applicable.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**EXIT CONFERENCE**  
**JUNE 30, 2003**

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The financial statements and all related reports were discussed and management indicated their concurrence in all material respects. Those in attendance at the exit conference held were:

**LOUISIANA CHARTER SCHOOLS, INC.**

Mr. Clarence Skipper, Jr.  
Mr. Rodney Lilley

President, Board of Directors  
Business Manager,  
New Orleans Education  
Management LLC

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Paul K. Andoh, Sr., CPA, CGFM	--	Partner
Mr. Larry Jones, CPA	--	Manager



*Louisiana Charter Schools, Inc.*

*1340 Reynes Street*

*New Orleans, La. 70117*

*(504) 945-8534 or 286-3861*

*(504) 948-2818 fax*

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December 12, 2003

Bruno & Tervalon LLP  
Certified Public Accountants  
4298 Elysian Fields Avenue  
New Orleans, Louisiana 70122

Dear Sirs:

Enclosed is the corrective action plan developed by Louisiana Charter Schools, Inc. in response to the audit findings in connection with the audit of and for the year ending June 30, 2003. The plan includes, where applicable, the corrective action plan and anticipated completion date.

In all findings attached, Mr. Clarence Skipper, Jr. is the contact person.

If any further information is required, do not hesitate to contact me at (504) 945-8534.

Sincerely,



Clarence Skipper, Jr.  
President

CS  
Enclosure

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

---

**Reference Number**

2003-01

**Condition**

Our review of LCS's compliance with the referenced criteria revealed that only four (4) out of seventeen (17) teachers were certified. As such, at June 30, 2003, only twenty-four (24) percent (24%) of LCS's instructional staff are certified by the state board or the French Ministry of Education.

**Recommendation**

None. LCS was not funded by BESE for the current 2003-04 fiscal year.

**Management's Response**

The Board of Directors concurs with the finding.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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**Reference Number**

2003-02

**Condition**

We noted expenses incurred by the Board of Directors that were not approved by BESE as allowable administrative expenses. These unauthorized, unbudgeted expenses are as follows:

**Description**

Rent paid for office space for the board.	\$10,400
Wireless phone service charges for board members.	2,142
Gasoline purchases for certain board members.	<u>300</u>
Total	<u>\$12,842</u>

**Recommendation**

We recommend that BESE determine the ultimate resolution to this finding.

**Management's Response**

The management of LCS will continue to dialogue with BESE in an effort to resolve the referenced finding. Anticipated completion date is June 30, 2004.

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**LOUISIANA CHARTER SCHOOLS, INC.**

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

**FOR THE YEAR ENDED JUNE 30, 2003**

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

Release Date \_\_\_\_\_

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

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To the Board of Directors  
**Louisiana Charter Schools, Inc.**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Louisiana Charter Schools, Inc. (LCS) and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data 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). This agreed upon-procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. 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.

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

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**(CONTINUED)**

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

**PROCEDURES AND FINDINGS**

**General Fund Instructional and Support Expenditures and  
Certain Local Revenue Sources (SCHEDULE I)**

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 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; and
  - Nonpublic Transportation Revenue.

No differences noted.

**Education Levels of Public School Staff (SCHEDULE II)**

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (SCHEDULE IV) to the combined total number of full-time classroom teachers per this schedule and LCS's supporting payroll records as of October 1, 2002.

No differences noted.

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Education Levels of Public School Staff (SCHEDULE II), Continued**

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (SCHEDULE IV) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2002 and as reported on the schedule. We traced all 17 teachers to their respective personnel file and determined if their education level was properly classified on the schedule.

No differences noted.

**Number and Type of Public Schools (SCHEDULE III)**

5. Because LCS only sponsored an elementary school, we did not obtain a list of schools by type as reported on the schedule. Also, we did not compare 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.

**Experience of Public Principals and Full-Time Classroom Teachers (SCHEDULE IV)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2002 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.



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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Public School Staff Data (SCHEDULE V)**

7. We obtained a listing of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced all 17 teachers to their personnel file and determined if their salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted.

8. For all 17 teachers, we recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

**Class Size Characteristics (SCHEDULE VI)**

9. We obtained a list of classes and class size for LCS as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2002 roll books for those classes and determined if the class was properly classified on the schedule.

Seven (7) classes in the 27-33 class range were omitted. One class of 24 students was improperly classified in class range 27-33. The presented schedule has been corrected to reflect the proper classification.

**Louisiana Educational Assessment Program (LEAP) for  
the 21<sup>st</sup> Century (SCHEDULE VII)**

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by LCS. Since, LCS is an elementary school type, only the 4<sup>th</sup> grade test scores were reported on the schedule.

No differences noted.

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

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**(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**The Graduation Exit Exam for the 31<sup>st</sup> Century (SCHEDULE VIII)**

11. Because this schedule does not apply to an elementary school type, we did not obtain test scores as provided by the testing authority or reconcile scores as reported by the testing authority to scores reported in the schedule by LCS.

**The Iowa Tests (SCHEDULE IX)**

12. We obtained test scores as provided by the testing authority and reconciled the scores as reported by the testing authority to scores reported in the schedule by LCS.

No differences noted.

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

This report is intended solely for the use of management of LCS, 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 Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

December 12, 2003

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SCHEDULES REQUIRED BY STATE LAW**  
**(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

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**SCHEDULE I - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

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

**SCHEDULE II - 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; 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 III - 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 AFSR.

**SCHEDULE IV - Experience of Public Principals and Full-Time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the AFSR.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SCHEDULES REQUIRED BY STATE LAW**  
**(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

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**(CONTINUED)**

**SCHEDULE V - Public School Staff Data**

This schedule includes average classroom teacher salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the AFSR.

**SCHEDULE VI - 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 VII - Louisiana Educational Assessment Program (LEAP) For the 21<sup>st</sup> Century**

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

**SCHEDULE VIII - The Graduation Exit Exam for the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**LOUISIANA CHARTER SCHOOLS, INC.**  
**SCHEDULES REQUIRED BY STATE LAW**  
**(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2003**

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(CONTINUED)

**SCHEDULE IX - The IOWA Tests**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

**Louisiana Charter Schools, Inc.**  
**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources**  
**For the Year Ended June 30, 2003**

**General Fund Instructional and Equipment Expenditures**

## General Fund Instructional Expenditures:

## Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$454,195	
Other Instructional Staff Activities	24,537	
Employee Benefits	71,205	
Purchased Professional and Technical Services:	93,226	
Instructional Materials and Supplies	34,986	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$678,149

Other Instructional Activities		\$6,566
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Pupil Support Activities	\$49,350	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	-	\$49,350

Instructional Staff Services	\$61,393	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	-	\$61,393

Total General Fund Instructional Expenditures		\$795,458
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Total General Fund Equipment Expenditures		-
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**Certain Local Revenue Sources**

## Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	-
Total Location Taxation Revenue	\$ -

## Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	\$ -

## State Revenue in Lieu of Taxes:

Revenue Sharing-Constitutional Tax	\$ -
Revenue Sharing-Other Taxes	-
Revenue Sharing-Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	\$ -

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

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

Louisiana Charter Schools, Inc.  
 Education Levels of Public School Staff  
 As of October 1, 2002

Category	Full-Time Classroom Teachers				Principals & Assistant Principals				
	Certified		Uncertified		Certified		Uncertified		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Less than a Bachelor's Degree									
Bachelor's Degree	2	50%	12	92%	0	0%	0	0%	0%
Master's Degree	2	50%	1	8%	0	0%	1	100%	
Master's Degree + 30	0	0%	0	0%	0	0%	0	0%	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%	0%
Ph. D. or Ed. D.	0	0%	0	0%	0	0%	0	0%	0%
<b>Total</b>	<b>4</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>100%</b>	

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



Louisiana Charter Schools, Inc.  
Number and Type of Public Schools  
For the Year Ended June 30, 2003

<u>Type</u>						<u>Number</u>
Elementary						1
Middle/Jr. High (1)						0
Secondary (1)						0
Combination (1)						0
<b>Total</b>						<u>1</u>

(1) This type does not apply to LCS

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



Louisiana Charter School, Inc.  
 Experience of Public Principals and Full-Time Classroom Teachers  
 As of October 1, 2002

	0-1 Yr	2-3 Yrs	4-10 Yrs	11-14 Yrs	15-19 Yrs	20-24 Yrs	25+ Yrs	Total
Assistant Principals	0	0	0	0	0	0	0	0
Principals	1	0	0	0	0	0	0	1
Classroom Teachers	5	5	6	1				17
<b>Total</b>	<u>6</u>	<u>5</u>	<u>6</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>

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

Louisiana Charters Schools, Inc.  
Public School Staff Data  
For the Year Ended June 30, 2003

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	\$25,605	\$25,605
Average Classroom Teachers' Salary Excluding Extra Compensation	\$24,556	\$24,556
Number of Teacher Full-Time Equivalents (FTEs) used in Computation of Average Salaries	17	17

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

Louisiana Charter Schools, Inc.  
 Class Size Characteristics  
 As of October 1, 2002

School Type	Class Size Range											
	1-20		21-26		27-33		34+					
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	9%	12	31%	40	42%	55	0%	0				
Elementary Activity Classes	0%	0	5%	7	13%	17	0%	0				
Middle/Jr High (1)	0%	0	0%	0	0%	0	0%	0				
Middle/Jr High Activity Classes (1)	0%	0	0%	0	0%	0	0%	0				
High (1)	0%	0	0%	0	0%	0	0%	0				
High Activity Classes (1)	0%	0	0%	0	0%	0	0%	0				
Combination (1)	0%	0	0%	0	0%	0	0%	0				
Combination Activity Classes (1)	0%	0	0%	0	0%	0	0%	0				

(1) This school type does not apply to LCS.

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

Louisiana Charter Schools, Inc.  
Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Year Ended June 30, 2003

District Achievement Level Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students Grade 4												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Proficient	4	7%	0	0%	0	0%	3	5%	0	0%	0	0%
Basic	21	34%	0	0%	0	0%	18	30%	0	0%	0	0%
Approaching Basic	15	25%	0	0%	0	0%	12	20%	0	0%	0	0%
Unsatisfactory	21	34%	0	0%	0	0%	28	45%	0	0%	0	0%
Total	61	100%	0	0%	0	0%	61	100%	0	0%	0	0%

Note: This is the first operating year of the school. Therefore, reporting the school's achievement results for the 2002 and 2001 school year does not apply.

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

Louisiana Charter Schools, Inc.  
Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Year Ended June 30, 2003

District Achievement Level Results	Science						Social Studies					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Proficient	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Approaching Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unsatisfactory	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

Note: During the 2003 school year, LCS was an elementary school type. Therefore, reporting the school's achievement results for the 8th grade does not apply.

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

Louisiana Charter Schools, Inc.  
 The Graduation Exit Exam for the 21st Century  
 For the Year Ended June 30, 2003

District Achievement Level Results	English Language Arts						Mathematics					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Grade 10	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Proficient	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Approaching Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unsatisfactory	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

District Achievement Level Results	Science						Social Studies					
	2003		2002		2001		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Grade 11	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Proficient	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Approaching Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unsatisfactory	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

Note: During the 2003 school year, LCS was an elementary school type. Therefore, reporting the school's achievement results for the 10th and 11th grades does not apply.

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

Louisiana Charter Schools, Inc.  
The IOWA Tests  
For the Year Ended June 30, 2003

	Composite		
	2003	2002	2001
<b>Test of Basic Skills (ITBS)</b>			
Grade 3	26	0	0
Grade 5	31	0	0
Grade 6	0	0	0
Grade 7	0	0	0
<b>Tests of Educational Development (ITED)</b>			
Grade 9	0	0	0

NOTE: This is the first operating year of the school.  
Therefore, reporting the Iowa test results for the  
2002 and 2001 school year did not apply.

NOTE: Scores are reported by National Percentile Rank. A student's National Percentile Rank shows the student's relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation.

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