

**PREMIER HIGH SCHOOL OF  
LITTLE ROCK**

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2014**

**(WITH INDEPENDENT AUDITORS' REPORTS THEREON)**

**PREMIER HIGH SCHOOL OF LITTLE ROCK  
ANNUAL FINANCIAL REPORT  
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YEAR ENDED JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Premier High School of Little Rock

### Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of each major governmental fund of Premier High School of Little Rock (the "Charter School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. §10-4-413(c) as provided in Act 2201 of 2005, as described in Note A, to meet the reporting requirements of the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

## **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the Charter School as of June 30, 2014, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. §10-4-413(c) as provided in Act 2201 of 2005 described in Note A.

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note A, the financial statements are prepared by the Charter School on the basis of the financial reporting provisions of Ark. Code Ann. §10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School, as of June 30, 2014, and the respective changes in financial position for the year then ended.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School’s regulatory basis financial statements. The Schedule of Capital Assets is presented for purposes of additional analysis as required by Ark. Code Ann. §10-4-413(c) as provided in Act 2201 of 2005.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report February 23, 2015, on our consideration of the 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 Charter School's internal control over financial reporting and compliance.

*Thomas & Thomas LLP*

Certified Public Accountants

Texarkana, Texas  
February 23, 2015

## **Regulatory Basis Financial Statements**

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**BALANCE SHEETS - REGULATORY BASIS**  
**JUNE 30, 2014**

	<b>Governmental Funds</b>	
	<b>Major</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>ASSETS</b>		
<b>Assets</b>		
Cash (Overdraft)	\$ (7,807)	\$ 37,683
Accounts receivable	4,869	78,640
Due from Responsive Education Solutions and Related Charter Schools, net	63,364	963
Other receivable	-	11,622
Deposit	-	7,340
<b>TOTAL ASSETS</b>	<b>60,426</b>	<b>136,248</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	34,446	-
Due to related parties	19,663	103,127
<b>Total Liabilities</b>	<b>54,109</b>	<b>103,127</b>
<b>Fund Balances</b>		
Restricted	-	33,121
Unassigned	6,317	-
<b>Total Fund Balances</b>	<b>6,317</b>	<b>33,121</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 60,426</b>	<b>\$ 136,248</b>

See auditors' report and accompanying notes to financial statements

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Governmental Funds</b>	
	<b>Major</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>REVENUES</b>		
State assistance	\$ 527,678	\$ 77,552
Federal assistance	-	244,051
Meal sales	-	3,263
Private assistance	-	250,000
Other local revenue	50,072	-
<b>Total Revenues</b>	<u>577,750</u>	<u>574,866</u>
<b>EXPENDITURES</b>		
Instructional services	373,691	224,873
Instructional support services	36,761	16,173
School administration	90,594	4,201
General administration	36,463	17,237
Operation and maintenance of plant	4,058	159,538
Central Services	6,844	69,699
Transportation	945	-
Food services	-	72,101
<b>Total Expenditures</b>	<u>549,356</u>	<u>563,822</u>
<b>REVENUES OVER EXPENDITURES</b>	28,394	11,044
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfer to food service	(22,077)	22,077
<b>NET CHANGE IN FUND BALANCES</b>	6,317	33,121
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,317</u>	<u>\$ 33,121</u>

See auditors' report and accompanying notes to financial statements



**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General		Variance	Special Revenue		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>						
State assistance	\$ 564,030	\$ 527,678	\$ (36,352)	\$ 69,823	\$ 77,552	\$ 7,729
Federal assistance	-	-	-	547,942	244,051	(303,891)
Meal sales	-	-	-	8,505	3,263	(5,242)
Private assistance	-	-	-	250,000	250,000	-
Other local revenue	-	50,072	50,072	-	-	-
<b>Total Revenues</b>	<u>564,030</u>	<u>577,750</u>	<u>13,720</u>	<u>876,270</u>	<u>574,866</u>	<u>(301,404)</u>
<b>EXPENDITURES</b>						
Instructional services	245,003	373,691	(128,688)	415,292	224,873	190,419
Instructional support services	25,620	36,761	(11,141)	42,450	16,173	26,277
School administration	89,080	90,594	(1,514)	142,920	4,201	138,719
General administration	40,375	36,463	3,912	11,725	17,237	(5,512)
Operation and maintenance of plant	123,430	4,058	119,372	91,080	159,538	(68,458)
Central Services	27,950	6,844	21,106	100,130	69,699	30,431
Transportation	2,000	945	1,055	-	-	-
Food services	500	-	500	69,005	72,101	(3,096)
<b>Total Expenditures</b>	<u>553,958</u>	<u>549,356</u>	<u>4,602</u>	<u>872,602</u>	<u>563,822</u>	<u>308,780</u>
<b>REVENUES OVER EXPENDITURES</b>	10,072	28,394	18,322	3,668	11,044	7,376
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer to food service	-	(22,077)	(22,077)	-	22,077	22,077
<b>NET CHANGE IN FUND BALANCES</b>	10,072	6,317	(3,755)	3,668	33,121	29,453
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,072</u>	<u>\$ 6,317</u>	<u>\$ (3,755)</u>	<u>\$ 3,668</u>	<u>\$ 33,121</u>	<u>\$ 29,453</u>

See auditors' report and accompanying notes to financial statements

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**A. *Summary of Significant Accounting Policies***

**1. Reporting Entity**

Premier High School of Little Rock (the Charter School) is an open-enrollment public charter school established under Responsive Education Solutions, Inc., a nonprofit organization incorporated under the laws of the State of Texas. Responsive Education Solutions, Inc. (the sponsoring organization, hereinafter referred to as RES), a nonsectarian tax-exempt organization, was granted a charter by the Arkansas State Board of Education on November 1, 2012, to operate an open-enrollment charter school, with a maximum enrollment not to exceed two hundred and forty (240) students starting with the 2013-2014 school year. This charter expires on June 30, 2018, and continuation and renewal of the charter are contingent upon acceptable student performance and compliance with certain accountability provisions set forth in Arkansas law pertaining to charter schools. The Charter School, which is operated by the nonprofit corporation in accordance with the Arkansas Department of Education Rules and Regulations Governing Charter Schools, offers educational opportunities to students in grade levels from ninth through twelfth grade.

As discussed in Note G, the Charter School is a party to certain agreements and shares certain common board members with RES. In addition, the Charter School shares common board members with Northwest Arkansas Classical Academy and Quest Middle School hereinafter referred to as the "Related Charter Schools."

These financial statements include only balances and transactions directly attributable to the Charter School. They do not include any balances or transactions attributable to RES or the Related Charter Schools other than amounts due from or due to these organizations.

**2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

These financial statements are prepared in accordance with a regulatory basis of accounting prescribed by Arkansas Code Annotated §10-4-413(c), as set forth in the Arkansas Department of Education Rules Governing the Regulatory Basis of Accounting (RBA), which requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet - regulatory basis; a statement of revenues, expenditures and changes in fund balances - regulatory basis; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the Charter School; notes to the financial statements; and a supplemental schedule of capital assets that includes land, buildings and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of accounting.

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**A. *Summary of Significant Accounting Policies (Continued)***

**2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The RBA is not in accordance with generally accepted accounting principles (GAAP) which requires that basic financial statements present government-wide financial statements and the following: management's discussion and analysis, accrual basis of accounting for government-wide financial statements, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds, recording depreciation expense and specific note disclosures. The RBA does not require government-wide financial statements, nor does it incorporate the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function.

**3. Fund Accounting**

The Charter School's major funds are as follows:

- a. **The General Fund** – The General Fund is used to account for and report all financial resources and operating expenditures, except those that are required to be reported in the special revenue fund (described below).
- b. **The Special Revenue Fund** – The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes.

The Charter School had no other funds at or during the year ended June 30, 2014.

**4. Other Accounting Policies**

- a. **Revenue Recognition** – Revenues are recognized when they become susceptible to accrual in accordance with the RBA.
- b. **Interfund Receivables and Payables** – Receivables and payables resulting from short-term interfund loans are classified as "due to" or "due from" other funds.

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**A. *Summary of Significant Accounting Policies (Continued)***

**5. Fund Balances**

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance cannot be spent. As of June 30, 2014, there were no non-spendable, committed, or assigned fund balances. Restricted fund balance has limitations imposed by creditors, grantors or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Charter School's governing body through the approval of resolutions. Assigned fund balance is a limitation imposed by management or another designee of the Charter School's governing body. Unassigned fund balance consists of the net resources in excess of amounts classified non-spendable, restricted, committed or assigned.

When both restricted and unrestricted fund balances are available for use for a specified purpose, it is the Charter School's policy to use restricted fund balances first, then unrestricted fund balances. Furthermore, when expenditures are incurred for purposes for which amounts in committed, assigned or unassigned fund balance classifications may be used, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts.

**6. Budgetary Data**

As required by State statutes, the Charter School prepares an annual budget that is filed with the Arkansas Department of Education (ADE). The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School's budget is prepared utilizing the regulatory basis of accounting described in Note A(2).

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

**7. Estimates**

The preparation of financial statements in conformity with the RBA requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related note disclosures. Accordingly, actual results could differ from those estimates.

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**B. Cash**

The Charter School's cash consists of demand deposits maintained at a financial institution. State statutes require that the Charter School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess over FDIC insurance may not be recoverable. However, the Charter School received a waiver from the Department of Education stating that it could keep cash at an institution in Texas. The Charter School's bank has an agreement to hold collateral to insure bank deposit balances of all state and federal funds that exceed FDIC limits. At June 30, 2014, the bank balances of the Charter School's demand deposit account maintained at a financial institution totaled \$108,577. RES keeps all of the Texas and Arkansas charter schools' funds at one Texas financial institution, and deposit balances for state and federal funds were fully secured.

**C. Accounts Receivable**

The accounts receivable balance of \$83,509 at June 30, 2014, was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Grants receivable	\$ -	\$ 78,640	\$ 78,640
Other	4,869	-	4,869
Totals	\$ 4,869	\$ 78,640	\$ 83,509

**D. Lease Commitments**

The Charter School conducts its administrative and school activities from a facility that is leased under a six-year non-cancelable operating lease expiring in 2019. Future minimum rental payments due under the lease are as follows:

Year	Amount
2015	\$ 192,000
2016	192,000
2017	192,000
2018	192,000
2019	192,000
	<u>\$ 960,000</u>

For 2014, rental expense amounted to \$88,080.

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

***E. Pension Plan Obligations***

**Plan Description** - The Charter School participates in the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public and charter school employees, except certain non-teachers hired prior to July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, or by calling 1-800-666-287.

ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%.

The Charter School's contributions to ATRS for the year ended June 30, 2014, were approximately \$49,000. These contributions were equal to the required contributions for the year.

***F. On Behalf Payments***

During the year ended June 30, 2014, health insurance premiums of approximately \$7,800 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of Charter School employees. This amount is not included in revenues or expenditures in the Charter School's financial statements.

***G. Academic and Business Services Agreement***

RES provides personnel and certain services to the Charter School. Such services include implementing educational programs, personnel management, facility and property management, business administration, budgeting and financial reporting, financial management, maintenance of records, pupil recruitment and admissions, family services, student discipline, annual reports, teacher training and professional development, charter renewal, public and governmental relations and any other services which may be agreed to in writing.

These services are provided pursuant to a management agreement and related amendments (the Agreement) executed between RES and the Charter School. The Agreement provides that RES is entitled to receive management fees equal to a percentage of the Charter School's state foundation funding, to the extent that such fees do not cause the Charter School to incur a loss in the General fund. In addition, RES will be reimbursed for all expenses incurred on behalf of the Charter School. For the year ended June 30, 2014, operating reimbursements paid to RES by the Charter School were \$52,871. The Charter School did not pay any amounts for management fees due to the lack of funds in the General fund. RES has agreed to waive the management fees and therefore no amounts have been recorded as liabilities in the financial statements.

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**G. Academic and Business Services Agreement (continued)**

In addition to providing academic and business services, RES may from time-to-time make expenditures on behalf of the Charter School for computers, equipment or operating expenses. The Charter School may also provide and receive periodic advances to and from RES and Related Charter Schools. At June 30, 2014, outstanding balances are reported as a receivable from or a payable to RES and Related Charter Schools, net on the accompanying balance sheets – regulatory basis.

**H. Risk Management**

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Charter School has purchased commercial insurance to address these risks.

**I. Income Taxes**

The sponsoring organization, and by extension the Charter School, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

The sponsoring organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

**J. Date of Management's Review**

Subsequent events were evaluated through February 23, 2015, which is the date the financial statements were available to be issued.

**K. Related Party Transactions and Balances**

As explained in note G, the Charter School may have outstanding receivables from or payables to RES and Related Charter Schools. See below for a breakdown of the balances:

<u>Party</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<b>Receivables:</b>			
Related Charter Schools	\$ 63,364	\$ 963	\$ 64,327
<b>Payables:</b>			
Responsive Education Solutions	(8,791)	63,873	55,082
Related Charter Schools	28,454	39,254	67,708
<b>Total Payables:</b>	<u>\$ 19,663</u>	<u>\$ 103,127</u>	<u>\$ 122,790</u>

**PREMIER HIGH SCHOOL OF LITTLE ROCK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

***L. Start-up Expenditures***

The Charter School's fiscal year began on July 1, 2013, and school started in August 2013. Startup expenses that were incurred prior to July 1, 2013, are included in the fiscal year under audit and are not considered material to the financial statements.



## **Supplementary Information**

**PREMIER HIGH SCHOOL OF LITTLE ROCK  
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)  
JUNE 30, 2014**

**DEPRECIABLE CAPITAL ASSETS**

Equipment	\$ 55,658
Accumulated Depreciation	<u>(8,431)</u>

<b>TOTAL DEPRECIABLE CAPITAL ASSETS, NET</b>	<b><u>\$ 47,227</u></b>
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## **Internal Control and Compliance Section**

***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 Trustees  
Premier High School of Little Rock

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 each major governmental fund of Premier High School of Little Rock (the "Charter School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated February 23, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, described in the accompanying schedule of findings and responses as item 2014-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter 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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-001.

### **Purpose of this Report**

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

*Thomas & Thomas LLP*

Certified Public Accountants

Texarkana, Texas  
February 23, 2015

**PREMIER HIGH SCHOOL OF LITTLE ROCK  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**SECTION I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	GAAP Basis - Adverse Regulatory Basis - Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	None Reported

**PREMIER HIGH SCHOOL OF LITTLE ROCK  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

**SECTION II – Findings – Financial Statement Audit**

**Finding 2014-001**

*Type of Finding:* Significant Deficiency

*Condition:* Purchases of commodities that equaled or exceeded \$10,000 were not properly procured by soliciting bids.

*Criteria:* Arkansas Code Annotated §6-21-304 requires that purchases of commodities, as defined in §6-21-301, shall be procured by soliciting bids when the purchase price of such commodity shall equal or exceed \$10,000.

*Cause:* Procedures were not in place to review potential purchases for compliance with §6-21-304.

*Effect:* The entire sample of purchases of commodities tested for conformity to the procurement bidding requirement contained no evidence that bids were requested for items equal to or exceeding \$10,000.

*Recommendation:* Procedures should be established to review potential purchases of commodities to ascertain conformity to the bidding requirements pursuant to §6-21-304.

*Views of Responsible Officials and Planned Corrective Actions:* Management will establish procedures to review potential purchases for bidding requirements as recommended.