

FULTON LEADERSHIP ACADEMY  
FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2015

Fulton Leadership Academy  
Table of Contents

Page  
Number

**FINANCIAL**

Independent Auditor's Report..... 3-5

**Exhibits                    BASIC FINANCIAL STATEMENTS**

Organization-wide Financial Statements

A            Statement of Position .....6  
B            Statement of Activities .....7

Fund Financial Statements

C            Balance Sheet – Governmental Funds .....8  
D            Reconciliation of Governmental Funds Balance Sheet  
                 to the Statement of Position .....9  
E            Statement of Revenues, Expenditures, and  
                 Changes in Fund Balances – Governmental Funds .....10  
F            Reconciliation of the Governmental Funds Statement of  
                 Revenues, Expenditures, and Changes in Fund Balances  
                 to the Statement of Activities.....11

G            Notes to the Basic Financial Statements ..... 12-25

**Schedules                    REQUIRED SUPPLEMENTARY INFORMATION**

Schedule 1    Schedule of Proportionate Share of the Net Pension Liability  
                 Teachers' Retirement System of Georgia .....26  
Schedule 2    Schedule of Contributions – Teachers' Retirement System  
                 Of Georgia .....27  
Schedule 3    Schedule of Revenues, Expenditures, and Changes in Fund  
                 Balances – Budget and Actual – General Fund .....28

**OTHER SUPPLEMENTARY INFORMATION**

Schedule 4    Schedule of State Revenue .....29  
Schedule 5    Allotments and Expenditures General Fund – Quality Basic  
                 Education Programs (QBE) By Program .....30

**COMPLIANCE AND INTERNAL CONTROL REPORTS**

Independent Auditor's Report on Internal Controls and Compliance ..... 31-32

**FINDINGS AND QUESTIONED COSTS**

Schedule of Findings and Responses .....33  
Schedule of Previous Year's Findings and Current Year Status .....34

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October 29, 2015

## Independent Auditor's Report

To the Board of Directors  
Fulton Leadership Academy, Inc.  
East Point, Georgia

I have audited the accompanying financial statements of the governmental activities and the general fund of Fulton Leadership Academy, Inc. (the Organization), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Fulton Leadership Academy, Inc. as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 2 to the financial statements, in 2015, Fulton Leadership Academy, Inc. adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. My opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, schedule of contributions to retirement systems, and budgetary comparison information as presented on pages 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Required Supplementary Information Omitted*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton Leadership Academy, Inc.'s basic financial statements. The accompanying supplementary information consisting of the schedule of state revenue on Schedule "4" and quality basic education program allotments and expenditures on Schedule "5" is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 29, 2015 on my consideration of the organization's internal control over financial reporting and my 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 my testing of internal control over financial reporting and on 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 Fulton Leadership Academy, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "C. Douglas Erwin, Jr., CPA". The signature is written in a cursive style with a large initial "C" and "E".

**C. Douglas Erwin, Jr., CPA**  
Smyrna, Georgia  
October 29, 2015

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015**

EXHIBIT "A"

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 366,609
Accounts Receivable, Net	
State Government	192,142
Capital Assets, Depreciable (Net of Accumulated Depreciation)	155,542
Total Assets	<u>714,293</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Related to Defined Benefit Pension Plans	<u>319,655</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 38,634
Salaries and Benefits Payable	80,616
Payroll Withholdings Payable	7,959
Long-Term Liabilities	
Net Pension Liability	1,032,172
Total Liabilities	<u>1,159,381</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to Defined Benefit Pension Plans	<u>359,837</u>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	155,542
Unrestricted	(640,812)
Total Net Position	<u>\$ (485,270)</u>

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

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT "B"

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes In Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	
Instruction	1,666,001	0	1,436,921	(229,080)
Support Services				
Pupil Services	165,012	0	108,234	(56,778)
Improvement of Instructional Services	135,555	0	14,316	(121,239)
Educational Media Services	0	0	22,467	22,467
General Administration	47,820	0	36,832	(10,988)
School Administration	311,890	0	86,882	(225,008)
Business Administration	194,426	0	4,000	(190,426)
Maintenance and Operation of Plant	295,142	0	85,906	(209,236)
Student Transportation Services	122,380	36,457	0	(85,923)
Central Support Services	35,834	0	0	(35,834)
Other Support Services	16,504	0	14,802	(1,702)
Operations of Non-Instructional Services				
Food Services	192,685	55,586	114,874	(22,225)
<b>Total</b>	<b>3,183,249</b>	<b>92,043</b>	<b>1,925,234</b>	<b>(1,165,972)</b>
General Revenues				
State Charter Schools Commission				1,118,512
Investment Earnings				69
Miscellaneous				71,006
<b>Total General Revenues</b>				<b>1,189,587</b>
<b>Change in Net Position</b>				<b>23,615</b>
<b>Net Position - Beginning of Year, Restated</b>				<b>(508,885)</b>
<b>Net Position - End of Year</b>				<b>\$ (485,270)</b>

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

**FULTON LEADERSHIP ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2015**

EXHIBIT "C"

ASSETS

Cash and Cash Equivalents	\$ 366,609
Accounts Receivable, Net State Government	192,142
Total Assets	<u>\$ 558,751</u>

LIABILITIES

Accounts Payable	\$ 38,634
Salaries and Benefits Payable	80,616
Payroll Withholdings Payable	7,959
Total Liabilities	<u>127,209</u>

FUND BALANCES

Unassigned	431,542
Total Fund Balances	<u>431,542</u>
Total Liabilities and Fund Balances	<u>\$ 558,751</u>

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

**FULTON LEADERSHIP ACADEMY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2015**

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 431,542

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Equipment	180,161	
Buildings and Improvements	42,547	
Accumulated Depreciation	<u>(67,166)</u>	
Total Capital Assets		<u>155,542</u>

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability (1,032,172)

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

These consist of:

Deferred Outflows of Resources - Pension Plan	319,655	
Deferred Inflows of Resources - Pension Plan	(359,837)	

Net Position of Governmental Activities (Exhibit "A") \$ (485,270)

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

**FULTON LEADERSHIP ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

EXHIBIT "E"

**Revenues**

State Funds	2,290,068
Federal Funds	753,679
Charges for Services	92,042
Investment Earnings	69
Miscellaneous	71,006
 Total Revenues	 3,206,864

**Expenditures**

Instruction	1,707,513
Support Services	
Pupil Services	165,012
Improvement of Instructional Services	135,555
General Administration	47,820
School Administration	320,183
Business Administration	196,655
Maintenance and Operation of Plant	287,533
Student Transportation Program	115,880
Central Support Services	36,896
Other Support Services	16,504
Food Services Operation	193,363
 Total Expenditures	 3,222,914
 Excess of Revenues over (under) Expenditures	 (16,050)
 Net Change in Fund Balances	 (16,050)
 Fund Balances - Beginning	 447,592
 Fund Balances - Ending	 \$ 431,542

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

**FULTON LEADERSHIP ACADEMY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

EXHIBIT "F"

Total Change in Fund Balances - Government Funds (Exhibit "E") \$ (16,050)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	18,525	
Depreciation Expense	<u>(24,416)</u>	
Excess of Capital Outlay over Depreciation Expense		<u>(5,891)</u>

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions	153,963
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:

Pension expense	(108,407)
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Change in Net Assets of Governmental Activities (Exhibit "B")	<u><u>\$ 23,615</u></u>
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The notes to the basic financial statements are an integral part of this statement.

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND REPORTING ENTITY

**Reporting Entity**

Fulton Leadership Academy, Inc., “the Organization” is incorporated as a non-profit corporation pursuant to Georgia law for the purpose of operating a charter school located in East Point, Georgia by virtue of a contract between the Organization and the State Charter Schools Commission of Georgia. The charter term is for five years commencing with the 2013-2014 school year and authorizes the Organization to serve students from grades 6-12 in Fulton County, Georgia.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

The Organization is considered a government entity and operates as a local educational authority, “LEA”. Its’ basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements, and notes to the basic financial statements of the Organization.

**Government-wide Statements**

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Organization, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Organization's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Organization related to the administration and support of the Organization programs, such as office and maintenance personnel and accounting) are not allocated to programs.
  
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the Organization's funds including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds. The Organization reports its activities in the general fund which is the Organization's primary operating fund. It accounts for all financial resources of the Organization.

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Basis of Accounting**

The basis of accounting determines when transactions are reported on the financial statements. The Organization-wide governmental fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the Organization's proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share to each participating employer. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Non-exchange transactions, in which the Organization gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Organization uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Organization considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The Organization considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt which is recognized to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Organization funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Organization's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

**RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2015, the Organization made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014 net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of \$1,117,910. This change is in accordance with generally accepted accounting principles.

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position, July 1, 2014, as previously reported	\$ 609,025
Prior Period adjustment – Implementation of GASB 68:	
Net Pension liability (measurement date)	
TRS	( 1,220,264)
Deferred Outflows – Organization’s contribution made during fiscal year 2014	
TRS	<u>102,354</u>
Net Position, July 1, 2014, as restated	<u>(\$ 508,885)</u>

**NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Organization’s financial statements.

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Organization did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the Organization’s financial statements.

In fiscal year 2015, the Organization adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions.

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the Organization to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

**RECEIVABLES**

Receivables consist of amounts due from grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2015, are recorded as prepaid items.

**CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the Organization-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized.

Depreciation is computed using the straight-line method. The Organization does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the Organization. Capitalization thresholds and estimated useful lives of capital assets reported in the Organization-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	\$ 5,000	N/A
Land Improvements	5,000	10-60 years
Buildings and Improvements	5,000	20-60 years
Equipment	5,000	4-20 years

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized. There are no recorded intangible assets in the current year financial statements.

**DEFERRED OUTFLOWS/INFLOWS of RESOURCES**

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the Organization has reported the contributions to the cost sharing benefit pension plan subsequent to the measurement date and prior to the fiscal year end as deferred outflows of resources. The Organization has also reported the actuarial changes in the Organization's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in Note 8 - Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the Organization has reported the actuarial changes in the Organization's proportionate share of the governmental non-employer cost sharing benefit pension plan, as discussed in Note 8 - Retirement Plans. This item is reported only in the Government-wide Statement of Net Position.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and additions to/deductions from TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 - Retirement Plans.

**NET POSITION**

The Organization's net position in the Organization-wide Statements are classified as follows:

**Net investment in capital assets** - This represents the Organization's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets such amounts are not included as a component of net investment in capital assets.

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Restricted net position** - These represent resources for which the Organization is legally or contractually obligated to spend resources for continuation of Federal Programs or other circumstances in accordance with restrictions imposed by external third parties.

**Unrestricted net position** - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Investment of Capital Assets and Restricted Net Position.

**FUND BALANCES**

The Organization's fund balances are classified as follows:

**Non-spendable** - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislations.

**Committed** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the Organization's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts that are constrained by the Organization's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** - The residual classification for the General Fund. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2015 are all classified as unassigned.

**Income Taxes**

The Organization is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Organization is not required to pay taxes on income, and contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the IRC.

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY DATA

The budget is a complete financial plan for the Organization's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is adopted each year for the general fund however there is no prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and natural expense classification. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the Organization's management presenting an initial budget for the Board's finance committee review. After revisions based on discussion with that committee the budget is sent to the governing board for approval. The budget is not advertised but board meetings are advertised in newsletters to parents, on the website and in postings at the school. Board meetings are open to the general public and any interested party may attend including the meeting at which the budget is adopted at which time they may ask questions or offer comments on the budget before its adoption.

After adoption by the board the approved budget is submitted to the Georgia Department of Education (GADOE) through its online portal by September 30 of each year. During the year the board may revise the budget as necessary. A copy of the final budget is submitted to GADOE by September 30 of the following year as part of the Organization's reporting of its activities. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end. See Schedule 3 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

**Budgetary/GAAP Basis Reconciliation**

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP). The primary differences between the budget basis and GAAP basis are:

1. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
2. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).

FULTON LEADERSHIP ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 4 – DEPOSITS

**COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia.
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation.
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia.
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia, and
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for that purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of subsidiary corporations of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. At June 30, 2015, the Organization had deposits with a carrying amount of \$366,609 and a bank balance of \$409,013 at one bank. The bank balances in the operating account of \$369,217 were pooled and collateralized by the Georgia Pledging Pool with other governmental funds by the bank and the remainder of cash balances were insured by Federal depository insurance in full.

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 5 – COMMITMENTS

The Organization has entered into various agreements for the lease of equipment and facilities which are considered for accounting purposes to be operating leases. The terms of the agreements are summarized below.

Snap Technology, Inc. provides hardware, software, and IT support for the school's computer infrastructure system under the terms of a three-year non-cancellable agreement beginning August 2015 for \$2,800 per month which continued the prior three year agreement.

The Organization operates in a facility located at 1706 Washington Road in East Point, Georgia under the terms of a lease agreement dated April 16, 2013. The term of the agreement is seventy-three months commencing June 2013. Rent was due in the current period at \$10,725 in the first month and at \$11,050 per month for the remainder of the year. The lease contains escalation clauses that change in August of each year with the rent increasing to \$11,375 in August 2015, \$11,725 in August 2016, \$12,700 in August 2017, and \$12,425 in August 2018. As described below the Organization intends to move to a new facility in January 2015 which is more suitable for operation of the charter school. Management is in the process of securing a tenant to sublease the existing facility.

On May 29, 2015 the Organization entered into a lease agreement for a newly constructed facility located at 2605 Ben Hill Road in East Point, Georgia. The term of the agreement is for twenty years commencing upon completion of construction and buildout services which is estimated to be December 31, 2015. The final lease payments are contingent upon the actual completed development and construction costs. For purposes of this disclosure the developer's estimated costs are used to project the annual lease payments. The future lease payments are also subject to estimation of the completion date of the construction. For year one, \$217,446 is estimated for lease expenditures and in year two \$671,909 is estimated. In the following years the rent is escalated by 3% per year. The lease includes a purchase option.

Future minimum lease payments for the commitments described above are as follows:

<u>Fiscal Year</u>	<u>Government Funds</u>
2016	\$ 388,325
2017	819,951
2018	843,492
2019	862,204
2020	746,739
Thereafter	<u>14,065,243</u>
Total	<u>\$ 17,725,854</u>

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Total Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated				
Furniture & Equipment	75,047	18,525	-	\$ 93,572
Leasehold Improvements	129,136	-	-	129,136
Less Accumulated Depreciation for:				
Furniture & Equipment	38,445	16,807	-	55,252
Leasehold Improvements	4,305	7,609	-	11,914
Total Capital Assets, Being Depreciated, Net	<u>\$ 161,433</u>	<u>\$ (5,891)</u>	<u>\$ -</u>	<u>\$ 155,542</u>
Governmental Activity Capital Assets, Net	<u>\$ 161,433</u>	<u>\$ (5,891)</u>	<u>\$ -</u>	<u>\$ 155,542</u>
Current year depreciation expense by function is as follows:				
Instruction			\$ 10,307	
Support Services				
Maintenance and Operation of Plant			7,609	
Student Transportation Services			6,500	
Total			<u>\$ 24,416</u>	

NOTE 7 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors or omissions, job related illness or injuries to employees, and acts of God. The Organization has obtained commercial insurance to mitigate these risks and has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Organization's insurance coverage in any of the past three years.

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 8 – RETIREMENT PLAN

The Organization participates in the Teacher Retirement System of Georgia (“TRS”), a retirement plan administered by the State of Georgia. TRS issues separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

**Plan Description:** All teachers of the Organization as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple- employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

**Benefits Provided:** TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The Organization’s contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual payroll. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 153,963
2014	100%	\$ 102,354
2013	100%	\$ 83,574

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 8 – RETIREMENT PLAN - Continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Organization reported a liability of \$1,032,172 for its proportionate share of the net pension liability for TRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The Organization’s proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2014. At June 30, 2014, the Organization’s TRS proportion was 0.008170%, which was an increase of 0.001167% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Organization recognized pension expense of \$108,407 for TRS. At June 30, 2015, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>TRS</u> Deferred Outflow of Resources	<u>TRS</u> Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	\$ - 0 -	\$ 359,837
Changes in proportion and differences between Organization contributions and proportionate share of contributions	165,692	- 0 -
Organization contributions subject to the measurement date	<u>153,963</u>	<u>- 0 -</u>
Total	<u>\$ 319,655</u>	<u>\$ 359,837</u>

Organization contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>TRS</u>
2016	(52,302)
2017	(52,302)
2018	(52,302)
2019	(52,302)
2020	15,063
Thereafter	- 0 -

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 8 – RETIREMENT PLAN - Continued

**Actuarial assumptions:** The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

***Teachers Retirement System:***

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009. The long-term expected rate of return on TRS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	<u>100.00%</u>	

\* Rates shown are net of the 3.00% assumed rate of inflation

**Discount rate:** The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FULTON LEADERSHIP ACADEMY  
 NOTES TO THE BASIC FINANCIAL STATEMENT  
YEAR ENDED JUNE 30, 2015

NOTE 8 – RETIREMENT PLAN - Continued

**Sensitivity of the Organization’s proportionate share of the net pension liability to changes in the discount rate:** The following presents the Organization’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Organization’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

**Teachers Retirement System:**

	1% Decrease (6.5%)	Current discount rate (7.50%)	1% Increase (8.50%)
Organization's proportionate share of the net pension liability	\$ 1,902,154	\$ 1,032,172	\$ 315,759

***Pension plan fiduciary net position:*** Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications).

NOTE 9 – SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs that are disallowed under grant terms. The Organization believes that such disallowances, if any, will be immaterial to its overall financial position.

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential recognition and disclosure through October 29, 2015, the date the financial statements were available to be issued.

FULTON LEADERSHIP ACADEMY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	<u>2015</u>
Organization's proportion of the net pension liability	0.008170%
Organization's proportionate share of the net pension liability	\$ 1,032,172
Organization's covered-employee payroll	\$ 833,502
Organization's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.84%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by Fulton Leadership Academy.

FULTON LEADERSHIP ACADEMY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "2"

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 153,963	\$ 102,354
Contributions in relation to the contractually required contribution	<u>153,963</u>	<u>102,354</u>
Contribution deficiency (excess)	- 0 -	- 0 -
Organization's covered employee payroll	\$ 1,170,821	\$ 833,502
Contributions as a percentage of covered employee payroll	13.15%	12.28%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

FULTON LEADERSHIP ACADEMY  
GENERAL FUND

SCHEDULE "3"

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2015

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
<u>REVENUES</u>				
State Funds	\$ 2,200,999	\$ 2,346,234	\$ 2,290,068	\$ 56,166
Federal Funds	161,848	678,787	753,679	(74,892)
Charges for Services	0	0	92,042	(92,042)
Investment Earnings	0	0	69	(69)
Miscellaneous	75,700	136,331	71,006	65,325
Total Revenues	2,438,547	3,161,352	3,206,864	(45,512)
<u>EXPENDITURES</u>				
Instruction	1,306,513	1,803,475	1,707,513	95,962
Support Services				
Pupil Services	0	37,476	165,012	(127,536)
Improvement of Instructional Services	65,392	27,741	135,555	(107,814)
General Administration	20,255	28,759	47,820	(19,061)
School Administration	370,511	410,218	320,183	90,035
Business Administration	235,525	295,994	196,655	99,339
Maintenance and Operation of Plant	233,600	276,494	287,533	(11,039)
Student Transportation Program	115,000	113,325	115,880	(2,555)
Central Support Services	28,750	33,880	36,896	(3,016)
Other Support Services	11,161	0	16,504	(16,504)
Food Services Operation	163,269	173,817	193,363	(19,546)
Total Expenditures	2,549,976	3,201,179	3,222,914	(21,735)
Excess of Revenues over (under) Expenditures	-111,429	-39,827	-16,050	(23,777)
Net Change in Fund Balances	-111,429	-39,827	-16,050	-23,777
Fund Balances - Beginning	447,592	447,592	447,592	0
Fund Balances - Ending	\$ 336,163	\$ 407,765	\$ 431,542	\$ (23,777)

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

FULTON LEADERSHIP ACADEMY  
 SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2015

Schedule "4"

<u>AGENCY/FUNDING</u>	<u>General Fund</u>
<b>GRANTS</b>	
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Middle Grades (6-8) Program	\$ 467,311
High School General Education (9-12) Program	141,633
Vocational Laboratory (9-12) Program	11,144
Students With Disabilities	171,563
Gifted Student - Category VI	100,853
Alternative Education Program	19,980
Media Center Program	23,274
20 Days Additional Instruction	7,529
Staff and Professional Development	5,912
Indirect Cost	
Central Administration	20,909
School Administration	90,003
Facility Maintenance and Operations	78,824
Mid-term Adjustment Hold-Harmless	79,941
Amended Formula Adjustment	(119,433)
Categorical Grants	
Nursing Services	20,000
State Special Charter Supplement	1,118,512
Accrual	23,268
Other State Programs	
Charter School - Facilities	9,815
Technology to Support Digital Learning	18,801
Miscellaneous	229
<b>Total</b>	<b>\$ 2,290,068</b>

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

FULTON LEADERSHIP ACADEMY  
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM  
ALLOTMENTS AND EXPENDITURS - BY PROGRAM  
YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

<u>DESCRIPTION</u>	Allotments From Georgia Department of Education (1) (2)	<u>ELIGIBLE QBE PROGRAM COSTS</u>		
		<u>Salaries</u>	<u>Operations</u>	<u>Total</u>
Direct Instructional Programs				
Middle School (6-8) Program	\$ 510,576	\$ 498,323	\$ 12,253	\$ 510,576
High School General Education (9-12) Prog	154,746	147,703	7,043	154,746
Vocational Laboratory (9-12) Program	12,176	10,863	1,313	12,176
Students with Disabilities				
Category I	20,058	19,311	747	20,058
Category II	-	-	-	-
Category III	94,280	92,442	1,838	94,280
Category IV	52,531	51,264	1,267	52,531
Category V	20,578	19,311	1,267	20,578
Gifted Student - Category VI	110,190	107,668	2,522	110,190
Alternative Education Program	<u>21,830</u>	<u>21,407</u>	<u>423</u>	<u>21,830</u>
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>996,965</b>	<b>968,292</b>	<b>28,673</b>	<b>996,965</b>
Media Center Program	25,429	21,663	3,766	25,429
Staff and Professional Development	<u>6,459</u>	<u>-</u>	<u>6,459</u>	<u>6,459</u>
<b>TOTAL QBE FORMULA FUNDS</b>	<b><u>\$ 1,028,853</u></b>	<b><u>\$ 989,955</u></b>	<b><u>\$ 38,898</u></b>	<b><u>\$ 1,028,853</u></b>

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

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

**C. Douglas Erwin, Jr., CPA**  
***Certified Public Accountants***  
**4480-H South Cobb Drive, Suite 106**  
**Smyrna, Georgia 30080**  
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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

October 29, 2015

To The Board of Directors  
Fulton Leadership Academy  
East Point, Georgia

I 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 the governmental activities and the general fund of Fulton Leadership Academy as of and for the Year Ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fulton Leadership Academy's basic financial statements and have issued my report thereon dated October 29, 2015.

**Internal Control over Financial Reporting**

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fulton Leadership Academy financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Management Letter**

I noted certain matters that were not considered material but which management should consider which are reported in a letter to management of Fulton Leadership Academy dated October 29, 2015.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "C. Douglas EJ CPA". The signature is written in a cursive style with some capital letters.

Smyrna, Georgia  
October 29, 2015

**FULTON LEADERSHIP ACADEMY, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2015**

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There were no findings or questioned costs in the current period.

**FULTON LEADERSHIP ACADEMY, INC.**  
**SCHEDULE OF PREVIOUS YEAR FINDINGS AND CURRENT YEAR STATUS**  
**Year Ended June 30, 2015**

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**Finding 2014-001: Compliance with Law**

Condition: The Organization did not obtain collateral from its financial institution or ensure that its funds were pooled in a collateralized account for public funds which exceeded FDIC insurance.

Criteria: Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral as described by the statute.

Cause: Management of the Organization was not aware of this statute.

Effect: Public funds are unsecured creating custodial credit risk that in the event of a bank failure, the Organization's deposits may not be returned to it. At June 30, 2015, the Organization had deposits with the financial institution totaling \$439,759. Bank balances of \$250,000 were insured by Federal depository insurance leaving unsecured bank balances of \$189,759.

Recommendation: We recommend that the Organization notify the financial institution that funds are public funds and should be either collateralized, secured, or insured as required by the statute

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding and are currently working with the financial institution to correct the issue.

Current Year Status: Corrected. The Organization's funds are now classified by the bank as public funds and are pooled and appropriately collateralized.