

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Okaloosa Academy, Inc.  
Fort Walton Beach, Florida

### Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2021, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the District.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of the 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 solely 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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*McDonough CPA Solutions, PA*

September 10, 2021  
Melbourne, Florida

## **Management's Discussion and Analysis**

As management of Okaloosa Academy, Inc. (the "School"), which is a component unit of the Okaloosa County School District, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found listed on the table of content of this report.

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,837,068.
- The School's total net position increased by \$555,390.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$983,975, an increase of \$728,204 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$688,394.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

### **The School as a Whole**

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (assets, liabilities, and deferred outflows/inflows of resources) over time is one indicator of whether the School's financial health is improving or deteriorating.

However, other nonfinancial factors need to be considered in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Okaloosa County School District, Florida. The Okaloosa County School District, Florida includes the operations of Okaloosa Academy, Inc. as a component unit in their operations.

The government-wide financial statements can be found listed on the table of contents of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of Okaloosa Academy, Inc. are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital outlay fund, which are considered to be major funds. The basic governmental fund financial statements can be found listed on the table of contents of this report. The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the School to demonstrate compliance with this budget.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found listed on the table of contents of this report.

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,837,068 at the close of the most recent fiscal year.

A majority of the School's net position is reflected in its net investment in capital assets (e.g., land, buildings, furniture, fixtures and equipment, improvements other than buildings, and motor vehicles) less any related outstanding debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Comparison of the condensed statement of net position and the statement of activities are provided below:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,023,373	\$ 482,632	\$ 540,741
Capital assets - net	<u>853,093</u>	<u>1,025,907</u>	<u>(172,814)</u>
Total assets	<u>1,876,466</u>	<u>1,508,539</u>	<u>367,927</u>
<b>LIABILITIES</b>			
Current liabilities	<u>39,398</u>	<u>226,861</u>	<u>(187,463)</u>
<b>NET POSITION</b>			
Net investment in capital assets	853,093	1,025,907	(172,814)
Restricted for capital outlay	265,170	152,047	113,123
Restricted for food service	30,411	8,283	22,128
Unrestricted	<u>688,394</u>	<u>95,441</u>	<u>592,953</u>
Total net position	<u>\$ 1,837,068</u>	<u>\$ 1,281,678</u>	<u>\$ 555,390</u>

Current assets increased primarily due to the timing of cash collections with an additional increase in amounts due from other agencies and other schools. Capital assets decreased due to current year depreciation offset by current year additions. Current liabilities decreased due to the forgiveness of the paycheck protection program loan used to retain employees and eligible expenses caused by the COVID-19 pandemic. Net position increased related to amounts restricted for food service and unrestricted amount offset by the decrease in net investment in capital assets which represents current year depreciation less the additions purchased during the year.

Changes in the School's revenues were as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 2,222	\$ 11,407	\$ (9,185)
Operating grants and contributions	207,066	178,363	28,703
Capital grants and contributions	195,299	140,093	55,206
General revenues	1,509,154	1,283,476	225,678
Forgiveness of PPP loan	<u>428,445</u>	<u>-</u>	<u>428,445</u>
Total revenues	<u>\$ 2,342,186</u>	<u>\$ 1,613,339</u>	<u>\$ 728,847</u>

The increase in operating grants and contributions and general revenues is due to the increase in Title 1, National School Lunch program, and FTE income corresponding to student enrollments and referrals. Capital grants and contributions increased related to the increases in county sales tax. Forgiveness of PPP loan increased due to the recognition of loan forgiveness.



Changes in the School's expenses were as follows:

	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Basic instruction	\$ 655,820	\$ 608,418	\$ 47,402
Exceptional instruction	49,007	32,255	16,752
Curriculum development	279	-	279
Staff development	4,500	5,000	(500)
Board of directors	12,952	9,321	3,631
General administration	-	1,910	(1,910)
School administration	255,070	217,534	37,536
Facilities	268,888	306,762	(37,874)
Fiscal services	129,072	127,684	1,388
Food services	52,977	80,671	(27,694)
Staff services	119,583	117,572	2,011
Transportation	122,901	110,517	12,384
Operation of plant	115,378	131,963	(16,585)
Administrative technology	-	11,062	(11,062)
Maintenance of plant	260	-	260
Capital outlay	109	-	109
Total expenses	<u>1,786,796</u>	<u>1,760,669</u>	<u>26,127</u>
Change in net position	555,390	(147,330)	702,720
Net position at July 1, 2020	<u>1,281,678</u>	<u>1,429,011</u>	<u>(147,333)</u>
Net position at June 30, 2021	<u>\$ 1,837,068</u>	<u>\$ 1,281,681</u>	<u>\$ 555,387</u>

Basic instruction increased primarily due to increases in salaries and benefits related to state mandated raises and software subscriptions. Exceptional instruction increased due to salaries and benefits for teachers related to state mandated raises. School administration increased due to increases in supplies and computer equipment. Facilities decreased due to a reduction in repairs and maintenance, salaries, and software subscriptions. Food services decreased due to a decrease in salaries and benefits and a decrease in food supplies for students physically attending on campus due to the COVID-19 pandemic. Transportation increased mainly due to increases in insurance and salaries and benefits. Operation of plant decreased due to a decrease in custodial and maintenance services and reduction in purchased services. Administrative technology decreased due to a reduction in computer services.

### **Financial Analysis of the Government's Funds**

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financial requirements. In particular, unassigned fund balance may serve

as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$983,975.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$688,394.

During the current fiscal year, the fund balance of the School's general fund increased by \$592,953.

### **General Fund Budgetary Highlights**

Actual revenues were more than budget; and expenditures were less than the final budget. The School's expenditures were lower than budgeted because the School spent slightly less on salaries and related expenses than were budgeted.

The budgetary information can be found on the table of contents of this report.

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2021 amounts to \$853,093 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

**Debt.** At the end of the current fiscal year, the School had no debt.

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2021-2022 school year, the School is forecasting enrollment to be 150 students, a decrease from 161 students enrolled in 2020-2021.

### **Request for Information**

This financial report is designed to provide a general overview of Okaloosa Academy, Inc.'s finances for those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 101-A Business Centre, Miramar Beach, FL 32550.

**Okaloosa Academy, Inc.**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 979,167
Due from other agencies	29,298
Due from other schools	14,908
	<hr/>
Total current assets	1,023,373
	<hr/>

**CAPITAL ASSETS**

Capital assets not being depreciated:	
Land	7,126
Capital assets, net of accumulated depreciation:	
Buildings	780,777
Improvements other than buildings	26,440
Furniture, fixtures and equipment	8,764
Motor vehicles	29,986
	<hr/>
Total capital assets, net	853,093
	<hr/>
Total assets	1,876,466
	<hr/>

**LIABILITIES**

Accounts payable	21,562
Accrued payroll liabilities	6,130
Due to other agencies	11,706
	<hr/>
Total liabilities	39,398
	<hr/>

**NET POSITION**

Net investment in capital assets	853,093
Restricted for:	
Capital outlay	265,170
Food service	30,411
Unrestricted	688,394
	<hr/>
Total net position	\$ 1,837,068
	<hr/>

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 655,820	\$ -	\$ 134,183	\$ -	\$ (521,637)
Exceptional instruction	49,007	-	-	-	(49,007)
Curriculum development	279	-	-	-	(279)
Staff development	4,500	-	-	-	(4,500)
Board of directors	12,952	-	-	-	(12,952)
School administration	255,070	-	-	-	(255,070)
Facilities	268,888	-	-	195,299	(73,589)
Fiscal services	129,072	-	-	-	(129,072)
Food services	52,977	2,222	72,883	-	22,128
Staff services	119,583	-	-	-	(119,583)
Transportation	122,901	-	-	-	(122,901)
Operation of plant	115,378	-	-	-	(115,378)
Maintenance of plant	260	-	-	-	(260)
Capital outlay	109	-	-	-	(109)
Total governmental activities	<u>\$ 1,786,796</u>	<u>\$ 2,222</u>	<u>\$ 207,066</u>	<u>\$ 195,299</u>	<u>\$ (1,382,209)</u>
General revenues:					
Florida education finance program					1,422,845
Federal impact aid					55,958
Other revenues					30,351
Total general revenues					<u>1,509,154</u>
Forgiveness of PPP loan					428,445
Total revenues					<u>1,937,599</u>
Change in net position					555,390
Net position at July 1, 2020					<u>1,281,678</u>
Net position at June 30, 2021					<u>\$ 1,837,068</u>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2021**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 979,167	\$ -	\$ -	\$ 979,167
Due from other agencies	-	29,298	-	29,298
Due from other schools	14,908	-	-	14,908
Due from other funds	-	235,872	30,411	266,283
Total assets	<u>\$ 994,075</u>	<u>\$ 265,170</u>	<u>\$ 30,411</u>	<u>\$ 1,289,656</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 21,562	\$ -	\$ -	\$ 21,562
Accrued payroll liabilities	6,130	-	-	6,130
Due to other agencies	11,706	-	-	11,706
Due to other funds	266,283	-	-	266,283
Total liabilities	<u>305,681</u>	<u>-</u>	<u>-</u>	<u>305,681</u>
<b>FUND BALANCES</b>				
Restricted for:				
Capital outlay	-	265,170	-	265,170
Food service	-	-	30,411	30,411
Unassigned	688,394	-	-	688,394
Total fund balances	<u>688,394</u>	<u>265,170</u>	<u>30,411</u>	<u>983,975</u>
Total liabilities and fund balances	<u>\$ 994,075</u>	<u>\$ 265,170</u>	<u>\$ 30,411</u>	<u>\$ 1,289,656</u>

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2021**

Total Fund Balances -Governmental Funds		\$	983,975
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:			
Capital assets	\$	2,680,526	
Accumulated depreciation		<u>(1,827,433)</u>	853,093
Net Position of Governmental Activities			<u><u>\$ 1,837,068</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2021**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state and local	\$ 55,958	\$ -	\$ 205,299	\$ 261,257
State passed through local school district	1,422,845	137,264	1,767	1,561,876
Other revenues	30,351	58,035	2,222	90,608
Total revenues	<u>1,509,154</u>	<u>195,299</u>	<u>209,288</u>	<u>1,913,741</u>
Expenditures				
Current:				
Basic instruction	518,449	-	134,183	652,632
Exceptional instruction	49,007	-	-	49,007
Curriculum development	279	-	-	279
Staff development	4,500	-	-	4,500
Board of directors	12,952	-	-	12,952
School administration	254,109	-	-	254,109
Facilities	21,148	14,984	-	36,132
Fiscal services	129,072	-	-	129,072
Food services	-	-	52,977	52,977
Staff services	119,583	-	-	119,583
Transportation	119,909	-	-	119,909
Operation of plant	115,378	-	-	115,378
Maintenance of plant	260	-	-	260
Capital outlay	-	67,192	-	67,192
Total expenditures	<u>1,344,646</u>	<u>82,176</u>	<u>187,160</u>	<u>1,613,982</u>
Excess (deficiency) of revenues over (under) expenditures	164,508	113,123	22,128	299,759
Other financing sources and (uses):				
Forgiveness of PPP loan	428,445	-	-	428,445
Total other financing sources and (uses)	<u>428,445</u>	<u>-</u>	<u>-</u>	<u>428,445</u>
Net change in fund balance	592,953	113,123	22,128	728,204
Fund balances at July 1, 2020	<u>95,441</u>	<u>152,047</u>	<u>8,283</u>	<u>255,771</u>
Fund balances at June 30, 2021	<u>\$ 688,394</u>	<u>\$ 265,170</u>	<u>\$ 30,411</u>	<u>\$ 983,975</u>

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**– GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2021**

Net Change in Fund Balances - Governmental Funds	\$	728,204
<p>The change in net position reported for governmental activities in the statement of activities is different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those asset are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets decreased net position.</p>		
Capital outlay	\$	67,083
Provision for depreciation		(172,814)
		<u>(239,897)</u>
Change in Net Position - Governmental Activities	<u>\$</u>	<u>555,390</u>



**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

1. Reporting entity

Okaloosa Academy, Inc. (the “School”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School provides educational services to students in grades 4 – 12. The governing body of the School is the Board of Directors, which is composed of five members.

The general operating authority of Okaloosa Academy, Inc. is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the Okaloosa County School District, Florida (the “District”). The charter may be renewed by mutual agreement between the School and the District. The current charter is effective through February 28, 2022. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all inter-fund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resource measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – is the general operating fund of the School and is used to account for all resources not required to be accounted for in another fund.

Capital Outlay Fund – is a special revenue fund used in accordance with guidelines established by the Okaloosa County School District, Florida. This fund accounts for all resources for the lease of acquisition of capital facilities by the School to the extent funded by capital grants.

4. Cash

Cash consists of cash on hand at the School and checking accounts held at financial institutions. The School has no cash equivalents. At June 30, 2021, the cash made up of deposits and cash on hand totaled \$979,167.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2021. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated or exchanged capital assets are recorded at their estimated fair market values at the date of donation or exchange.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	7-10
Improvements other than buildings	5-20
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

9. Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (“FTE”) students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

10. Use of estimates

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

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

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

12. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – amounts that are not spendable (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

13. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE B – CASH**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the state treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the state treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to 280.08, Florida Statutes. As of June 30, 2021, \$520,983 of the School's balances held were exposed to custodial credit risk.

**NOTE C – INTER-FUND ACTIVITY**

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. The general fund has recorded total payables of \$235,872 to the capital outlay fund and \$30,411 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2021.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,241,760	32,700	-	2,274,460
Furniture, fixtures and equipment	210,105	4,529	-	214,634
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	7,500	29,854	-	37,354
Total capital assets depreciated	2,606,317	67,083	-	2,673,400
Less accumulated depreciation:				
Buildings	1,268,786	224,897	-	1,493,683
Furniture, fixtures and equipment	202,000	3,870	-	205,870
Improvements other than buildings	32,485	2,196	-	34,681
Computer software	79,890	5,941	-	85,831
Motor vehicles	4,375	2,993	-	7,368
Total accumulated depreciation	1,587,536	239,897	-	1,827,433
Total capital assets, net	<u>\$1,025,907</u>	<u>\$ (172,814)</u>	<u>\$ -</u>	<u>\$ 853,093</u>

Depreciation expense was charged for the year ended June 30, 2021 to functions of the School as follows:

Basic instruction	\$ 3,188
School administration	961
Facilities	232,756
Transportation	2,992
	<u>\$ 239,897</u>



**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School's Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contract. The current year management fees charged to operations totaled \$239,166.

2. Operating leases

The School has entered into various operating leases for equipment with monthly payments ranging from \$178 to \$285, maturing from 2019 through 2022. Rental expense totaled \$5,315 for the year ended June 30, 2021.

Future minimum lease payments are as follows for years ended June 30:

2022	\$ 3,274
2023	<u>2,133</u>
	<u>\$ 5,407</u>

**NOTE F – RELATED PARTY**

1. Management agreement

The Management Company provides financial, human resources, and administration services based on a contractual arrangement with the School. The Management Company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management fees charged to operations for the year ended June 30, 2021 were \$239,166 (see Note E).

2. Shared operating expenses

The School shares various operating expenses with schools operated by the same management company. During the year, the School had no reimbursed shared operating expenses.

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE F – RELATED PARTY (Continued)**

2. Shared operating expenses (continued)

Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,109,136, for the payroll related to these personnel.

An amount of \$14,908 is due from other schools for shared operating expenses for the year ended June 30, 2021.

3. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2021, the School has received services in the amount of \$87,860.

**NOTE G – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2021. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE H – CONCENTRATIONS**

1. Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the local school district.

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 697,928
Class size reduction	143,615
Discretionary local effort	78,142
Supplemental academic instruction	44,903
ESE guaranteed allocation	45,307
Instructional materials allocation	13,650
Reading instruction	6,932
Safe schools	10,203
Federally connected students	1,298
Discretionary tax compression	12,007
Student transportation	22,883
Emergency order funding adjustment	262,597
Digital classroom	598
Proration to funds available	(3,590)
Total FEFP revenue	1,336,473
Less administration fee	(65,679)
Total FEFP revenue less administrative fee	1,270,794
FEFP referrals	114,118
Federal impact aid	9,973
Federal through district	45,985
National school lunch act	71,116
Teacher salary allocation state	22,542
State school lunch supplement	1,767
FFCRA payroll liability refund	11,784
Florida teacher classroom supply assistance	3,607
Capital outlay	137,264
Title 1	134,183
E-rate	9,482
Local sales tax	58,035
Other local revenues	23,091
	<u>\$ 1,913,741</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2021**

**NOTE I – PAYCHECK PROTECTION LOAN**

On May 21, 2020, the School received loan proceeds in the amount of approximately \$428,445 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight or twenty-four weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School takes the position that the proceeds received have been used for eligible purposes consistent with described conditions and believes it is probable that the SBA will grant the forgiveness in full in accordance with the guarantee.

The School recognized forgiveness of the paycheck protection program loan in the amount of \$428,445 at June 30, 2021.

**NOTE J – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 10, 2021, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements except as noted:

The State of Florida issued emergency order 2021-EO-02 for the successful reopening of all state’s public schools, and 2021-EO-01, which extended the statewide testing window to ensure that every student can safely complete their state assessments. In addition, the School is subject to the Okaloosa County Health Department requirements. In the event of a Coronavirus outbreak within the School, campus classes may be cancelled and students will be required to take classes remotely. The virus could have negative effects on the School’s financial position, results of operations and/or cash flows, the specific outcome is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 7, 2021, the School was forgiven the amount of \$428,445 in relationship to the School portions of the forgiveness by the Small Business Administration for the paycheck protection program (PPP) loan.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**– BUDGET AND ACTUAL – GENERAL FUND**  
**For the year ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 1,051,766	\$ 1,270,794	\$ 1,270,794	\$ -
Lead teacher funds	4,778	3,607	3,607	-
Class size reallocation	26	-	-	-
Federal impact aid funds	3,000	9,334	9,973	639
Referrals	75,000	55,000	114,118	59,118
Teacher salary allocation state	-	19,595	22,542	2,947
Cares grant	29,049	32,000	45,985	13,985
FFCRA payroll liability refund	-	17,890	11,784	(6,106)
Donations	500	500	100	(400)
Interest on investments	-	150	214	64
Uniforms	-	1,500	2,418	918
Miscellaneous	5,000	18,000	18,137	137
E-Rate	10,447	9,482	9,482	-
Total revenues	<u>1,179,566</u>	<u>1,437,852</u>	<u>1,509,154</u>	<u>71,302</u>
<b>Expenditures</b>				
Salaries	655,000	682,095	552,021	130,074
Bonus funds	-	-	-	-
Retirement	-	125	125	-
Social security	51,000	53,074	40,081	12,993
Group insurance	71,000	71,000	76,193	(5,193)
Worker's compensation	8,500	10,000	11,562	(1,562)
Unemployment compensation	1,000	2,200	68	2,132
Management fee	240,000	240,000	239,166	834
Audit/accounting	9,000	9,000	9,270	(270)
Computer services	7,000	-	-	-
School resource officer	97,838	97,838	97,838	-
Consulting services-curriculum/staff develop.	5,000	5,000	4,629	371
Custodial/maintenance	10,000	10,000	5,375	4,625
Miscellaneous contract services	5,000	5,000	-	5,000
Insurance	32,000	32,000	65,173	(33,173)
Travel	2,000	2,000	1,276	724
Vehicle/maintenance	22,000	22,000	15,601	6,399
Computer repair	-	7,000	8,478	(1,478)
Lease-copier	5,800	5,800	5,315	485
Rental-miscellaneous	1,000	-	-	-
Postage	2,000	2,000	1,286	714
Cellphones	4,200	4,200	3,744	456
Phone/internet	12,000	20,000	16,619	3,381
Water/sewer	2,400	6,400	7,585	(1,185)
Garbage	3,800	3,800	1,723	2,077
Printing	2,000	-	-	-
Pest control	1,400	1,400	1,510	(110)
Security monitoring	1,500	1,500	240	1,260
Miscellaneous Non-professional services	3,500	3,900	3,867	33
Natural gas	-	-	467	(467)
Electric/gas	37,000	37,500	41,088	(3,588)
Gas/vehicles	24,000	24,000	9,638	14,362
Supplies	15,000	18,182	26,113	(7,931)
Instructional material	12,800	7,800	-	7,800
Tires	-	100	-	100
Other materials & supplies	-	1,000	886	114
Computer equipment	2,500	4,500	22,567	(18,067)
Buses	-	2,000	-	2,000
Software	-	500	49	451
Software subscriptions	34,000	36,500	48,047	(11,547)
Improvements	-	-	20,436	(20,436)
Fees/miscellaneous	7,500	7,500	3,009	4,491
Substitutes/temporary	6,500	6,500	3,601	2,899
Total expenditures	<u>1,395,238</u>	<u>1,443,414</u>	<u>1,344,646</u>	<u>98,768</u>
Excess (deficiency) of revenues over (under) expenditures	(215,672)	(5,562)	164,508	170,070
Other financing sources (uses)				
Proceeds from PPP loan forgiveness	<u>221,588</u>	<u>428,445</u>	<u>428,445</u>	<u>-</u>
Net change in fund balance	<u>5,916</u>	<u>422,883</u>	<u>592,953</u>	<u>170,070</u>
Fund balance at July 1, 2020	<u>95,441</u>	<u>95,441</u>	<u>95,441</u>	<u>-</u>
Fund balance at June 30, 2021	<u>\$ 101,357</u>	<u>\$ 518,324</u>	<u>\$ 688,394</u>	<u>\$ 170,070</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**– BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Charter school capital outlay	\$ 120,364	\$ 120,364	\$ 137,264	\$ 16,900
County local sales tax		58,035	58,035	-
Total revenues	120,364	178,399	195,299	16,900
Expenditures				
Salaries	7,500	-	-	-
Social security	575	-	-	-
Unemployment compensation	100	-	-	-
Insurance	15,000	15,000	2,508	12,492
Repairs/maintenance	20,000	20,000	10,326	9,674
Inspections	2,000	2,000	4,638	(2,638)
Computer equipment	7,000	22,000	-	22,000
Vehicles	-	30,000	29,854	146
Software subscriptions	-	-	2,150	(2,150)
Remodeling/renovation	20,000	40,000	32,700	7,300
Total expenditures	72,175	129,000	82,176	46,824
Net change in fund balance	48,189	49,399	113,123	63,724
Fund balance at July 1, 2020	152,047	152,047	152,047	-
Fund balance at June 30, 2021	\$ 200,236	\$ 201,446	\$ 265,170	\$ 63,724

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2021**

**NOTE A – BUDGETARY INFORMATION**

The School's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the School's Board of Directors ("Board"). The budgets presented for the fiscal year ended June 30, 2021, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.



## **COMPLIANCE INFORMATION**

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

To the Board of Directors  
Okaloosa Academy, Inc.  
Fort Walton Beach, Florida

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 the governmental activities, each major fund and the aggregate remaining fund information of Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 10, 2021.

**Internal Control Over Financial Reporting**

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

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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, recommendations, and responses as items 2021-001 that we consider to be significant deficiencies.

### **School's Response to Findings**

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

 McDonald CPA Solutions, PA

September 10, 2021  
Melbourne, Florida

## MANAGEMENT LETTER

To the Board of Directors  
Okaloosa Academy, Inc.  
Fort Walton Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 10, 2021.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 10, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Department of Education of the entity is Okaloosa Academy, Inc.; 9800.

### **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Website the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts, grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, other governmental agencies, the Board of Directors, applicable School's management, and the Okaloosa County School District, and is not intended to be and should not be used by anyone other than these specified parties.

*McDonough CPA Solutions, PA*

September 10, 2021  
Melbourne, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2021, there were the following audit findings, recommendations, or responses:

### **2021-001: Unrecorded liabilities** **Significant deficiency**

Criteria: Generally accepted accounting principles require that expenses be recorded in the period in which the obligations are incurred.

Condition: During testing of subsequent disbursements, we identified a payment of a contractor invoice for September 2020 repairs of the School's roof hurricane damages.

Cause: The School did not accrue a transaction related to the fiscal year-end. Due to insurance company/coverage negotiations and delays in the School receiving the invoice, the School administration was not aware of the service liability until the end of August 2021.

Effect: Accrued expenses and repairs/maintenance expense were understated.

Auditor's recommendation: We recommend the School review subsequent disbursements for proper period recording.

Management response: This oversight was immediately corrected upon the auditor's notification of timing discrepancy. Procedures will be set to make sure all subsequent disbursements are recorded in the correct period.