

OKALOOSA ACADEMY, INC.

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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, 2020, 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 14, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McDonough CPA Solutions, PA

September 14, 2020
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, 2020 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 (d) 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 \$ 1,281,678.
- The government's total net position decreased by \$ 147,333 .
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$ 255,771, an increase of \$ 49,838 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$95,441.

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 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.

The basic governmental fund financial statements can be found listed on the table of contents of this report.

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 \$ 1,281,678 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, improvement other than buildings, furniture, fixtures and equipment, computer software, and 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>2020</u>	<u>2019</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 482,632	\$ 225,414	\$ 257,218
Capital assets - net	<u>1,025,907</u>	<u>1,223,078</u>	<u>(197,171)</u>
Total assets	<u>1,508,539</u>	<u>1,448,492</u>	<u>60,047</u>
LIABILITIES			
Current liabilities	226,861	19,481	207,380
NET POSITION			
Net investment in capital assets	1,025,907	1,223,078	(197,171)
Restricted for capital outlay	152,047	124,524	27,523
Restricted for food service	8,283	8,799	(516)
Unrestricted	<u>95,441</u>	<u>72,610</u>	<u>22,831</u>
Total net position	<u>\$ 1,281,678</u>	<u>\$ 1,429,011</u>	<u>\$ (147,333)</u>

Current assets increase was due mainly to cash proceeds received from the paycheck protection program (PPP) loan designed to provide a direct incentive to retain workers on payroll and pay eligible expenses during the COVID-19 pandemic. Capital assets decrease was due to current year depreciation offset by current year additions. Current liabilities increase was in relation to the non-exchange financial guarantee (PPP loan) used to retain employees and eligible expenses caused by the COVID-19 pandemic.

Changes in the School's revenues were as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 11,407	\$ 17,499	\$ (6,092)
Operating grants and contributions	178,363	250,144	(71,781)
Capital grants and contributions	140,093	150,512	(10,419)
General revenues	<u>1,283,476</u>	<u>1,673,936</u>	<u>(390,460)</u>
	<u>\$ 1,613,339</u>	<u>\$ 2,092,091</u>	<u>\$ (478,752)</u>

The decrease in operating grants and contributions and general revenues is due to the decrease in title 1, national school lunch, and FTE income corresponding to student enrollment.

Changes in the School's expenses were as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Basic instruction	\$ 608,418	\$ 842,509	\$ (234,091)
Exceptional instruction	32,255	24,647	7,608
Staff development	5,000	176	4,824
Board of directors	9,321	16,918	(7,597)
General administration	1,910	-	1,910
School administration	217,534	243,382	(25,848)
Facilities	306,762	299,339	7,423
Fiscal services	127,684	161,514	(33,830)
Food services	80,671	121,239	(40,568)
Staff services	117,572	149,640	(32,068)
Transportation	110,517	190,885	(80,368)
Operation of plant	131,963	195,147	(63,184)
Administrative technology	11,062	14,477	(3,415)
	<u>\$ 1,760,669</u>	<u>\$ 2,259,873</u>	<u>\$ (499,204)</u>

Basic instructions decreased mostly related to decreases in salaries offset by two new school resources officers. School administrations and transportation decreased mainly related to decreases in salaries. Food services decreased due to a decrease in salaries, benefits plus a decrease in food supplies caused by the COVID-19 school closures. Operation of plant decreased due to a decrease in purchased services for school resource officers. Fiscal services and staff services decreased due to reduction in the management fee charged by the management company.

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 \$ 255,771.

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 \$95,441.

During the current fiscal year, the fund balance of the School’s general fund increased by \$22,831.

General Fund Budgetary Highlights

Actual revenues 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 listed on the table of content 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, 2020 amounts to \$1,025,907 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, and furniture, fixtures, and equipment.

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 2020-2021 school year, the School is forecasting enrollment to be 165 students, a decrease from 178 students enrolled in 2019-2020. In addition, the School is estimating a potential decline in referrals provided by the district between 19% to 39% related to the impact of the COVID-19 pandemic.

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, 2020

ASSETS

CURRENT ASSETS

Cash	\$	469,459
Accounts receivable		849
Due from other agencies		12,324
Total current assets		482,632

CAPITAL ASSETS

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		972,974
Improvements other than buildings		28,636
Furniture, fixtures and equipment		8,105
Computer software		5,941
Vehicles		3,125
Total capital assets, net		1,025,907
Total assets		1,508,539

LIABILITIES

Accounts payable		1,973
Accrued payroll liabilities		3,300
Nonexchange financial guarantee		221,588

NET POSITION

Net investment in capital assets		1,025,907
Restricted for:		
Capital outlay		152,047
Food service		8,283
Unrestricted		95,441
Total net position		\$ 1,281,678

Okaloosa Academy, Inc.
STATEMENT OF ACTIVITY
For the year ended June 30, 2020

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	608,421	\$ -	\$ 110,107	\$ -	\$ (498,314)
Exceptional instruction	32,255	-	-	-	(32,255)
Staff development	5,000	-	-	-	(5,000)
Board of directors	9,321	-	-	-	(9,321)
General administration	1,910	-	-	-	(1,910)
School administration	217,534	-	-	-	(217,534)
Facilities	306,762	-	-	140,093	(166,669)
Fiscal services	127,684	-	-	-	(127,684)
Food services	80,671	11,407	68,256	-	(1,008)
Staff services	117,572	-	-	-	(117,572)
Transportation	110,517	-	-	-	(110,517)
Operation of plant	131,963	-	-	-	(131,963)
Administrative technology	11,062	-	-	-	(11,062)
Total governmental activities	<u>\$ 1,760,672</u>	<u>\$ 11,407</u>	<u>\$ 178,363</u>	<u>\$ 140,093</u>	<u>(1,430,809)</u>

General revenues:

Florida education finance program	1,258,397
Federal impact aid	10,607
Other revenues	14,472
Total general revenues	<u>1,283,476</u>

Change in net position (147,333)

Net position at July 1, 2019 1,429,011

Net position at June 30, 2020 \$ 1,281,678

Okaloosa Academy, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 469,459	\$ -	\$ -	\$ 469,459
Accounts receivable	849	-	-	849
Due from other agencies	-	12,324	-	12,324
Due from other funds	-	139,723	8,283	148,006
Total assets	\$ 470,308	\$ 152,047	\$ 8,283	\$ 630,638
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,973	\$ -	\$ -	\$ 1,973
Accrued payroll liabilities	3,300	-	-	3,300
Nonexchange financial guarantee	221,588	-	-	221,588
Due to other funds	148,006	-	-	148,006
Total liabilities	374,867	-	-	374,867
 FUND BALANCES				
Restricted for:				
Capital outlay	-	152,047	-	152,047
Food service	-	-	8,283	8,283
Unassigned	95,441	-	-	95,441
Total fund balances	95,441	152,047	8,283	255,771
Total liabilities and fund balances	\$ 470,308	\$ 152,047	\$ 8,283	\$ 630,638

Okaloosa Academy, Inc.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2020

Total Fund Balances -Governmental Funds	\$	255,771
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets		2,613,443
Accumulated depreciation		(1,587,536)
		1,025,907
Net Position of Governmental Activities	\$	1,281,678

Okaloosa Academy, Inc.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the year ended June 30, 2020

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Federal passed through state and local	\$ 10,607	\$ -	\$ 176,453	\$ 187,060
State passed through local school district	1,258,397	140,093	1,910	1,400,400
Other revenues	14,472	-	11,407	25,879
Total revenues	<u>1,283,476</u>	<u>140,093</u>	<u>189,770</u>	<u>1,613,339</u>
Expenditures				
Current:				
Basic instruction	499,378	-	110,108	609,486
Exceptional instruction	32,255	-	-	32,255
Staff development	5,000	-	-	5,000
Board of directors	9,321	-	-	9,321
General administration	1,910	-	-	1,910
School administration	215,968	-	-	215,968
Facilities	-	76,518	-	76,518
Fiscal services	127,684	-	-	127,684
Food services	-	-	80,178	80,178
Staff services	117,572	-	-	117,572
Transportation	109,017	-	-	109,017
Operation of plant	131,478	485	-	131,963
Administrative technology	11,062	-	-	11,062
Capital outlay	-	35,567	-	35,567
	<u>1,260,645</u>	<u>112,570</u>	<u>190,286</u>	<u>1,563,501</u>
Excess (deficiency) of revenues over (under) expenditures	22,831	27,523	(516)	49,838
Fund balances at July 1, 2019	<u>72,610</u>	<u>124,524</u>	<u>8,799</u>	<u>205,933</u>
Fund balances at June 30, 2020	<u>\$ 95,441</u>	<u>\$ 152,047</u>	<u>\$ 8,283</u>	<u>\$ 255,771</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, 2020

Net Change in Fund Balances - Governmental Funds	\$	49,838
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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.

Capital outlay	42,248	
Provision for depreciation	<u>(239,419)</u>	(197,171)

Change in Net Position - Governmental Activities	\$	<u><u>(147,333)</u></u>
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Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

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, are 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
June 30, 2020

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 resources 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
June 30, 2020

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, 2020, the cash made up of deposits and cash on hand totaled \$ 469,459.

5. Receivables

The School's receivables mainly consist of amounts due from program receivables and other agencies at June 30, 2020. 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
June 30, 2020

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:

Asset Class	Estimated Useful Lives
Buildings	7-10
Improvements other than buildings	5-20
Furniture, fixtures and equipment	5-10
Computer software	3
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
June 30, 2020

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.

9. 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.

10. 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-

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Income Taxes (continued)

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.

11. 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.

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

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.

12. 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.

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, 2020, \$305,653 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 \$139,723 to the capital outlay fund and \$8,283 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.

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE D – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital Assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings and fixed equipment	2,203,257	38,503	-	2,241,760
Furniture, fixtures and equipment	206,360	3,745	-	210,105
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Vehicles	7,500	-	-	7,500
Total capital assets depreciated	<u>2,564,069</u>	<u>42,248</u>	<u>-</u>	<u>2,606,317</u>
Less accumulated depreciation:				
Buildings and fixed equipment	1,043,538	225,248	-	1,268,786
Furniture, fixtures and equipment	197,470	4,530	-	202,000
Improvements other than buildings	30,286	2,199	-	32,485
Computer software	73,948	5,942	-	79,890
Vehicles	2,875	1,500	-	4,375
Total accumulated depreciation	<u>1,348,117</u>	<u>239,419</u>	<u>-</u>	<u>1,587,536</u>
Total capital assets, net	<u>\$ 1,223,078</u>	<u>\$ (197,171)</u>	<u>\$ -</u>	<u>\$ 1,025,907</u>

Depreciation expense was charged for the year ended June 30, 2020 to functions of the School as follows:

Basic Instruction	\$ 2,680
School administration	1,566
Facilities	233,180
Food service	493
Transportation	1,500
	<u>\$ 239,419</u>

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 resource, 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 contact. The current year management fees charged to operations totaled \$235,000.

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 \$5,554 for the year ended June 30, 2020.

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

2021	\$ 5,554
2022	3,274
2022	<u>2,133</u>
	<u>\$ 10,961</u>

3. Service contract

The School entered into an agreement with a third party to provide educational personnel and provide their salaries directly from the School. The School was reimbursed in full in the amount of \$73,807 for the payroll related to these personnel for the year ended June 30, 2020. Therefore, no revenue or expenditures are recognized by the School.

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, 2020 were \$235,000 (see Note E).

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE F – RELATED PARTY (continued)

2. Shared operating expenses

The School shares various operating expenses with schools operated by the same management company. During the year, the School reimbursed shared operating expenses totaling \$9,876.

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. 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 \$968,753, for the payroll related to these personnel.

There was no amount due to other schools for shared operating expenses for the year ended June 30, 2020.

3. School district services

The School receives various service paid for by the Okaloosa School District during the year. As of June 30, 2020, the School has received services in the amount of \$82,480.

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 2020. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

NOTE H – CONCENTRATIONS

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.

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE H – CONCENTRATIONS (continued)

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 765,900
Class size reduction	160,564
Discretionary local effort	74,232
Discretionary lottery	166
Supplemental academic instruction	49,909
ESE guaranteed allocation	47,058
Instructional materials allocation	14,227
Reading instruction	7,516
Safe schools	10,942
Federally connected students	475
Discretionary tax compression	18,599
Student transportation	68,247
Digital classroom	1,521
Federal impact aid	374
Florida teacher classroom supply assistance	3,434
Proration to funds available	<u>(2,420)</u>
	1,220,744
Less administration fee	<u>(57,434)</u>
	1,163,310
FEFP Referrals	72,429
Best and brightest award	22,632
Capital outlay	135,768
Security grant	4,325
Title 1	<u>110,107</u>
	<u>\$ 1,508,571</u>

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE I – NONEXCHANGE FINANCIAL GUARANTEES

On May 21, 2020, the School received loan proceeds in the amount of approximately \$224,709 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 of 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 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-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 intends the proceeds received will be used for eligible purposes consistent with described conditions and believes it is more likely than not that the SBA will grant the forgiveness in full in accordance with the guarantee.

The liability recognized for the nonexchange financial guarantee by the School at June 30, 2020 is as follows:

<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
\$ -	\$ 224,709	\$ -	\$ 224,709

NOTE J – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 14, 2020, 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:

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in response to the global Coronavirus Disease 2019 (COVID-19) pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures including the closing of schools and requiring Florida residents to stay home unless they are leaving for essential functions. Over the following weeks, a step process was used by the Florida economy to slowly reopened and on July 6, 2020, the State of Florida Department of Education, under the directions of the

Okaloosa Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Governor, announced the reopening of the School related to 2020-21 Florida's Optional Innovative Reopening Plan.

NOTE J – SUBSEQUENT EVENTS (continued)

Under this plan, the School is to provide student with two options to return to School. The first option is the students return to the brick and mortar building 5 days a week with the integration of digital classroom instruction and the second option for students is a mySchool Online program which allows the student to enroll in the School and receive communication and appropriate support while learning from home through a digital classroom.

The School has implemented these change to the 2020-21 School year and is expecting a minor impact on the School related to these changes due to fact the School has operated on a blended model with implementation and adjustment being minor. On the other hand, enrollment at the School might have an impact related to the student referrals it receives from the School District. The School is estimating a potential decline in referral revenues provided by the district between 19% to 39% related to the impact of the COVID-19 pandemic.

In addition to mandated operational changes by the State, the School received Paycheck Protection Program Funds provided under the CARES act to continue to pay teachers over closure weeks of the School in March. The School has allocated these funds to be used only related to payroll, benefits, rent and utilities, and maintains its payroll levels over the eight-week coverage period in accordance with the restriction of the loan forgiveness. As of August 31, 2020, the School has used all monies related to these requirements and is applying for forgiveness of the loan closer by the end of the 2020 year per the bank's instructions. The School believes it is more likely than not that it will receive forgiveness of the loan and has met the forgiveness requirements.

The future impact of COVID-19 pandemic may possible affect future operating costs and revenues in the event of resurgence of cases and potential shut downs by the State or City.

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 1,527,026	\$ 1,141,551	\$ 1,158,532	\$ 16,981
Lead teacher funds	4,585	4,778	4,778	-
Class size reallocation	-	26	26	-
Reading allocation	10,094	-	-	-
Digital classroom funds	2,047	-	-	-
Best and brightest award	-	-	22,632	22,632
Federal Impact aid funds	3,000	3,000	10,607	7,607
Referrals	115,000	115,000	72,429	(42,571)
Donations	500	500	400	(100)
Interest on investments	-	-	44	44
Uniforms	-	-	3,581	3,581
Miscellaneous	10,000	10,000	-	(10,000)
E-Rate	9,482	10,447	10,447	-
Total revenues	<u>1,681,734</u>	<u>1,285,302</u>	<u>1,283,476</u>	<u>(1,826)</u>
Expenditures				
Salaries	715,147	603,000	586,915	16,085
Retirement	12,000	-	1,105	(1,105)
Social Security	55,000	47,200	44,545	2,655
Group Insurance	93,000	58,000	32,245	25,755
Worker's Comp	10,317	12,600	7,465	5,135
Unemployment Compensation	1,000	1,000	162	838
Management Fee	300,000	235,000	235,000	-
Audit/Accounting	9,000	9,000	8,500	500
Computer Services	15,000	15,000	10,672	4,328
School Resource Officer	98,652	98,652	95,138	3,514
Consulting Services-Curriculum/Staff Deve	5,000	5,000	5,000	-
Custodial/Maint	29,300	19,075	20,700	(1,625)
Misc. Contract Services	10,000	10,000	-	10,000
Insurance	65,000	35,000	30,284	4,716
In-county Travel	-	-	800	(800)
Travel	12,000	2,000	553	1,447
Vehicle/Maint	25,000	25,000	18,134	6,866
Inspections/Fire Ext	-	2,000	-	2,000
Lease-Copier	5,800	5,800	5,597	203
Rental-Misc	1,000	1,000	-	1,000
Postage	2,000	2,000	1,964	36
Cellphones	4,000	4,000	4,102	(102)
Phone/Internet	18,300	18,300	19,400	(1,100)
Water/Sewer	6,400	7,400	6,851	549
Garbage	4,000	4,358	3,675	683
Printing	2,000	2,000	1,340	660
Pest Control	1,400	1,400	1,400	-
Security Monitoring	1,500	1,758	1,260	498
Misc. Non-prof.Svc	3,500	3,500	3,207	293
Natural Gas	-	-	680	(680)
Elect/Gas	58,500	60,000	49,509	10,491
Gas/Vehicles	25,000	24,000	14,987	9,013
Supplies	42,000	32,500	18,749	13,751
Instructional Material	17,200	15,300	15,968	(668)
Computer Equipment	2,500	-	-	-
Computer Equipment - Other	-	-	672	(672)
Software Under \$500	-	-	90	(90)
Software Subscriptions	3,000	6,000	168	5,832
Fees/Miscellaneous	7,500	7,500	6,473	1,027
Substitutes/Temporary	6,500	6,500	7,335	(835)
Total expenditures	<u>1,667,516</u>	<u>1,380,843</u>	<u>1,260,645</u>	<u>120,198</u>
Excess (deficiency) of revenues over (under) expenditures	14,218	(95,541)	22,831	118,372
Fund balance at July 1, 2019	72,610	72,610	72,610	-
Fund balance at June 30, 2020	<u>\$ 86,828</u>	<u>\$ (22,931)</u>	<u>\$ 95,441</u>	<u>\$ 118,372</u>

See notes to required supplemental information.

Okaloosa Academy, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL – CAPITAL OUTLAY FUND
For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 141,429	\$ 120,364	\$ 140,093	\$ 19,729
Total revenues	141,429	120,364	140,093	19,729
Expenditures				
Salaries	25,230	18,650	18,053	597
Social Security	1,930	1,425	1,381	44
Unemployment compensation	100	100	6	94
Insurance	2,124	2,166	14,382	(12,216)
Repairs/Maint	20,000	20,000	11,013	8,987
Instructional Material	-	-	5,968	(5,968)
Inspections	2,000	-	-	-
Furniture, equipment over \$1,000	-	-	1,255	(1,255)
Computer Equipment	30,000	7,000	-	7,000
Software subscriptions	40,000	28,000	26,200	1,800
Remodeling/renovation	30,000	45,000	34,312	10,688
Total expenditures	151,384	122,341	112,570	9,771
Net change in fund balance	(9,955)	(1,977)	27,523	29,500
Fund balance at July 1, 2019	124,524	124,524	124,524	-
Fund balance at June 30, 2020	\$ 114,569	\$ 122,547	\$ 152,047	\$ 29,500

See notes to required supplemental information.

Okaloosa Academy, Inc.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the year ended June 30, 2020

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, 2020, 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, 2020 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 14, 2020.

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”) to determine the 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 over financial reporting 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 over financial reporting that we 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

McDonough CPA Solutions, PA

September 14, 2020
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, 2020, and have issued our report thereon dated September 14, 2020.

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 14, 2020, 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 the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Audit 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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site 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 or 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 14, 2020
Melbourne, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2020 and 2019, there were no findings, recommendations or other matters.