

**OKALOOSA  
ACADEMY, INC.**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on 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, 2015, 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, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As described in Note A-13 to the financial statements, in 2015, the School implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* for the exchange of assets with the Okaloosa County School District (Note I).

## **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, 2015, 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.

September 14, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of Okaloosa Academy, Inc. (the "School"), 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, 2014 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 starting on page 9.

### Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$2,225,009.
- The government's total net position increased by \$1,316,319.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$291,826, an increase of \$90,905 in comparison with the prior year.

### 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 include 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 (the difference between total assets and total liabilities) 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 and liabilities, with the difference between the two 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 government'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 on pages 9 and 10 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 other 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 financing 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 for 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 on pages 11 - 14 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 starting on page 15 of this report.

### Government-Wide Financial Analysis

As previously noted, 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 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>2015</u>	<u>2014</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 307,875	\$ 242,694	\$ 65,181
Capital assets - net	<u>1,933,183</u>	<u>707,769</u>	<u>1,225,414</u>
Total assets	<u>2,241,058</u>	<u>950,463</u>	<u>1,290,595</u>
<b>LIABILITIES</b>			
Current liabilities	<u>16,049</u>	<u>41,773</u>	<u>(25,724)</u>
<b>NET POSITION</b>			
Net invested in capital assets	1,933,183	707,769	1,225,414
Restricted for capital outlay	23,795	35,254	(11,459)
Unrestricted	<u>268,031</u>	<u>165,667</u>	<u>102,364</u>
Total net position	<u>\$2,225,009</u>	<u>\$ 908,690</u>	<u>\$1,316,319</u>

Current assets increase of \$65,181 is primarily due to an increase in the cash held in the bank for the timing of vendor payments. Capital assets increase of \$1,255,414 was due to a property exchange with Okaloosa County School District.

Current liabilities decreased due to the timing of vendor payments at June 30, 2015. The increase in net investment in capital assets is due to a property exchange with Okaloosa County School District. The decrease in restricted net position was caused primarily by the decreasing net change in the capital outlay fund that is carried over to the next fiscal year.

Changes in the School's revenues were as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>%</u>
Revenues:				
Program revenues				
Charges for services	\$ 8,299	\$ 5,679	\$ 2,620	46%
Operating grants and contributions	286,473	249,999	36,474	15%
General revenues	<u>2,590,475</u>	<u>1,970,782</u>	<u>619,693</u>	31%
	<u>\$2,885,247</u>	<u>\$2,226,460</u>	<u>\$ 658,787</u>	

The increase to operating grants and contributions is due receiving Title 1 grant and National School Lunch funding in the current year. General revenues increased as the result of increases in FTE funding, student referral by the district, and student enrollment caused by the extra capacity of campus facilities.



Changes in the School's expenses were as follows:

	2015	2014	Change	%
<b>Expenses:</b>				
Basic instruction	\$ 1,065,104	\$ 828,695	\$ 236,409	29%
Exceptional instruction	43,255	34,321	8,934	26%
Psychological services	-	11,324	(11,324)	-100%
Curriculum development	20,067	20,000	67	100%
Staff development	900	13,638	(12,738)	-93%
Board of directors	25,352	14,555	10,797	74%
School administration	491,715	309,252	182,463	59%
Facilities	404,731	230,882	173,849	75%
Fiscal services	200,572	161,704	38,868	24%
Food services	341,432	111,167	230,265	207%
Staff services	-	149,341	(149,341)	-100%
Transportation	196,942	155,125	41,817	27%
Operation of plant	188,720	161,678	27,042	17%
Maintenance of plant	12,059	1,637	10,422	637%
Administrative technologies	24,145	21,652	2,493	12%
<b>Total expenses</b>	<b>\$ 3,014,994</b>	<b>\$ 2,224,971</b>	<b>\$ 790,023</b>	
<b>Special Items:</b>				
Proceeds on exchange of capital assets	\$ 2,024,500	\$ -	\$ 2,024,500	100%
Loss on exchange of capital assets	(578,434)	-	(578,434)	-100%
<b>Total special items</b>	<b>1,446,066</b>	<b>-</b>	<b>1,446,066</b>	
<b>Change in net position</b>	<b>1,316,319</b>	<b>1,489</b>	<b>1,314,830</b>	
<b>Net position - beginning</b>	<b>908,690</b>	<b>907,201</b>	<b>1,489</b>	
<b>Net position - ending</b>	<b>\$ 2,225,009</b>	<b>\$ 908,690</b>	<b>\$ 1,316,319</b>	

Basic instruction and school administration increased due to additional teachers and staff for the increased student population caused by the property exchange for facility with additional capacity. Facility increase is due to the loss related to the disposal of fixed assets of \$107,709 and the purchase of fixed asset to make the new facility operational. Food services increased mostly due to salaries for staff, increase lunches due to increase student population, and reclassification of management fees for staff services account. As well, staff services decreased as a result of hiring on full time staff instead of leasing.

### 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 financing 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 combined ending fund balance of \$291,826.

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 \$254,915.

During the current fiscal year, the fund balance of the School's general fund increased by \$102,364.

### **General Fund Budgetary Highlights**

Budgeted revenues and expenditures exceed actual revenues and expenditures by \$116,962 and \$188,548, respectively. The School's expenditures were lower than budgeted because the School spent slightly less on salaries and related expenses than were budgeted. Budgeted revenues were equal to actual revenues for the capital outlay fund. The School's budgeted capital outlay expenditures were less than actuals by \$2,014,419 as a result of not budgeting for the effect of implementing GASB No. 48 for the property swap.

The budgetary information can be found on pages 28 through 30 of this report.

### **Capital asset and debt administration**

**Capital assets.** The School's investment in capital assets for its governmental type activities as of June 30, 2015, amounts to \$1,933,183 (net of accumulated depreciation). Net investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, computer software, and vehicles.

**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 2015-2016 school year, the School is forecasting an enrollment decrease to 340 students. The student forecast is a decrease of 50 students due to student population numbers being less than 2014-15 forecasted fiscal year student enrollments of 390 students.

### **Request for Information**

This financial report is designed to provide a general overview of Okaloosa Academy, Inc.'s finances for all 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, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 272,032
Accounts receivable	774
Due from other agencies	21,953
Prepaid expenses	13,116
Total current assets	<u>307,875</u>
<b>CAPITAL ASSETS</b>	
Capital assets, not depreciated	
Land	7,126
Capital assets, net of accumulated depreciation	
Buildings	1,912,012
Improvements other than buildings	2,263
Furniture, fixtures, and equipment	10,282
Vehicles	1,500
Total capital assets	<u>1,933,183</u>
Total assets	<u>2,241,058</u>
<b>LIABILITIES</b>	
<b>LIABILITIES</b>	
Accrued payroll liabilities	14,499
Due to other agencies	99
Due to other schools	1,451
Total liabilities	<u>16,049</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,933,183
Restricted for capital outlay	23,795
Unrestricted	268,031
Total net position	<u>\$ 2,225,009</u>

The accompanying notes are an integral part of this financial statement.

Okaloosa Academy, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 1,065,104	\$ -	\$ 6,146	\$ -	\$ (1,058,958)
Exceptional instruction	43,255	-	-	-	(43,255)
Curriculum development	20,067	-	-	-	(20,067)
Staff development	900	-	-	-	(900)
Board of directors	25,352	-	-	-	(25,352)
School administration	491,715	-	-	-	(491,715)
Facilities	404,731	-	-	171,609	(233,122)
Fiscal services	200,572	-	-	-	(200,572)
Food services	341,432	8,299	108,718	-	(224,415)
Transportation	196,942	-	-	-	(196,942)
Operation of plant	188,720	-	-	-	(188,720)
Maintenance of plant	12,059	-	-	-	(12,059)
Administrative technologies	24,145	-	-	-	(24,145)
Total governmental activities	<u>\$ 3,014,994</u>	<u>\$ 8,299</u>	<u>\$ 114,864</u>	<u>\$ 171,609</u>	<u>(2,720,222)</u>
General revenues:					
Federal passed through state					179,106
State passed through local school district					2,338,678
Federal impact aid					4,473
Other revenues					68,218
Total general revenues					<u>2,590,475</u>
Excess (deficiency) of revenues over (under) expenditures before special items					(129,747)
Special items - gain on exchange of capital assets					<u>1,446,066</u>
Change in net position					1,316,319
Net position at July 1, 2014					<u>908,690</u>
Net position at June 30, 2015					<u>\$ 2,225,009</u>

The accompanying notes are an integral part of this financial statement.

**Okaloosa Academy, Inc.**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2015**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash	\$ 272,032	\$ -	\$ -	\$ 272,032
Accounts receivable	774	-	-	774
Due from other agencies	-	15,522	6,431	21,953
Prepaid expenses	13,116	-	-	13,116
Due from other funds	-	8,273	-	8,273
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 285,922</u>	<u>\$ 23,795</u>	<u>\$ 6,431</u>	<u>\$ 316,148</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued payroll liabilities	\$ 14,499	\$ -	\$ -	\$ 14,499
Due to other funds	1,842	-	6,431	8,273
Due to other agencies	99	-	-	99
Due to other schools	1,451	-	-	1,451
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>17,891</u>	<u>-</u>	<u>6,431</u>	<u>24,322</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	13,116	-	-	13,116
Restricted for				
Capital outlay	-	23,795	-	23,795
Unassigned	254,915	-	-	254,915
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>268,031</u>	<u>23,795</u>	<u>-</u>	<u>291,826</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 285,922</u>	<u>\$ 23,795</u>	<u>\$ 6,431</u>	<u>\$ 316,148</u>

The accompanying notes are an integral part of this financial statement.

Okaloosa Academy, Inc.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

June 30, 2015

Fund balances - total governmental funds		\$	291,826
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:			
Land	\$	7,126	
Buildings, net		1,912,012	
Improvements other than buildings, net		2,263	
Furniture, fixtures, and equipment, net		10,282	
Vehicles, net		1,500	
Total capital assets			<u>1,933,183</u>
Total net position of governmental activities		\$	<u><u>2,225,009</u></u>

The accompanying notes are an integral part of this financial statement.

**Okaloosa Academy, Inc.**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2015**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state	\$ -	\$ -	\$ 286,540	\$ 286,540
State passed through local school district	2,344,824	171,609	1,284	2,517,717
Federal impact aid	4,473	-	-	4,473
Lunch program	-	-	8,299	8,299
Other revenues	68,218	-	-	68,218
Total revenues	<u>2,417,515</u>	<u>171,609</u>	<u>296,123</u>	<u>2,885,247</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	1,065,104	-	-	1,065,104
Exceptional instruction	43,255	-	-	43,255
Curriculum development	20,067	-	-	20,067
Staff development	900	-	-	900
Board of directors	25,352	-	-	25,352
School administration	314,757	-	176,958	491,715
Facilities	1,141	110,743	1,190	113,074
Fiscal services	200,572	-	-	200,572
Food services	188,519	-	151,523	340,042
Transportation	194,862	-	-	194,862
Operation of plant	188,720	-	-	188,720
Maintenance of plant	12,059	-	-	12,059
Administrative technology	24,145	-	-	24,145
Fixed capital outlay	-	2,096,825	2,150	2,098,975
Total expenditures	<u>2,279,453</u>	<u>2,207,568</u>	<u>331,821</u>	<u>4,818,842</u>
Excess (deficiency) of revenues over (under) expenditures before special items	138,062	(2,035,959)	(35,698)	(1,933,595)
Special items - gain on exchange of capital assets	-	2,024,500	-	2,024,500
<b>Other financing sources and (uses)</b>				
Transfers in	-	-	35,698	35,698
Transfers out	(35,698)	-	-	(35,698)
Total other financing sources and (uses)	<u>(35,698)</u>	<u>-</u>	<u>35,698</u>	<u>-</u>
Net change in fund balances	102,364	(11,459)	-	90,905
Fund balances at July 1, 2014	<u>165,667</u>	<u>35,254</u>	<u>-</u>	<u>200,921</u>
Fund balances at June 30, 2015	<u>\$ 268,031</u>	<u>\$ 23,795</u>	<u>\$ -</u>	<u>\$ 291,826</u>

The accompanying notes are an integral part of this financial statement.

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, 2015

Net change in fund balances - total government funds \$ 90,905

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 assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay additions	\$ 2,098,975	
Depreciation	<u>(187,418)</u>	
		1,911,557

The statement of activities reflects only the loss on the exchange or disposal of capital assets reported, whereas in the governmental funds, the proceeds from the exchange are an increase of financial resources. Thus, the change in net position differs from the change in fund balance by the loss on fixed assets by disposal or exchange.

Loss on disposal of capital assets	(107,709)	
Loss on exchange of capital assets	<u>(578,434)</u>	
		<u>(686,143)</u>

Change in net position of governmental activities		<u>\$ 1,316,319</u>
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The accompanying notes are an integral part of this financial statement.



**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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 June 30, 2017. 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 interfund 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 and liabilities, 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, 2015**

**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, 2015

**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 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 - this is the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - this 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 leasing or acquisition of capital facilities by the School to the extent funded by capital grants.

4. Cash

Cash is made up of cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables mainly consist of amounts due from program receivables and other agencies at June 30, 2015. The School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

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.

Transfers are used to move unrestricted general fund revenues to finance projects the School must account for in other funds.

Okaloosa Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	9 - 10
Improvements other than buildings	5 - 20
Furniture, fixtures, and equipment	5 - 10
Computer software	3 - 5
Vehicles	5 - 10

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.

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 (DOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the DOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

9. Revenue sources (continued)

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. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2012.

Okaloosa Academy, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 expense) 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 funds 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. Intra-entity transfer of assets

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, was issued September 2006 and effective for periods beginning after December 15, 2006. The School entered into an intra-entity transfer of assets with the Okaloosa County School District, during the year ending June 30, 2015 (Note I).

**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE B - INTERFUND ACTIVITY**

1. Interfund receivable and payable

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.

	Due From Other Funds	Due To Other Funds
General fund	\$ -	\$ 1,842
Capital outlay fund	8,273	-
Other governmental funds	-	6,431
	\$ 8,273	\$ 8,273

2. Interfund transfers

Interfund transfers for the year ended June 30, 2015 are as follows:

	Transfer in	Transfer out
General fund	\$ -	\$ 35,698
Other governmental funds	35,698	-
	\$ 35,698	\$ 35,698

For the year ended June 30, 2015, the above transfer was completed from the general fund to the other governmental fund to cover the current year loss. Transfers are used to move unrestricted general fund revenues to finance programs that the School accounts for in other funds.

**NOTE C - 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 have a formal policy regarding custodial credit risk. The bank balances of the School's deposits were \$325,053 at June 30, 2015. 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 Section 280.08, Florida Statutes. As of June 30, 2015, none of the School's balances held in banks were exposed to custodial credit risk.

**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE D - CAPITAL ASSETS**

Changes in capital asset activity was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Capital assets not depreciated:				
Land	\$ 487,339	\$ 7,126	\$ 487,339	\$ 7,126
Capital assets depreciated:				
Buildings	439,834	2,085,043	439,834	2,085,043
Improvements other than buildings	576,876	2,576	551,701	27,751
Furniture, fixtures, and equipment	183,500	4,230	-	187,730
Computer software	68,006	-	-	68,006
Vehicles	29,210	-	-	29,210
Total assets depreciated	<u>1,297,426</u>	<u>\$ 2,091,849</u>	<u>\$ 991,535</u>	<u>2,397,740</u>
Less accumulated depreciation:				
Buildings	370,272	\$ 175,006	\$ 372,247	173,031
Improvements other than buildings	442,719	3,253	420,484	25,488
Furniture, fixtures, and equipment	170,370	7,078	-	177,448
Computer software	68,005	1	-	68,006
Vehicles	25,630	2,080	-	27,710
Total accumulated depreciation	<u>1,076,996</u>	<u>\$ 187,418</u>	<u>\$ 792,731</u>	<u>471,683</u>
Total governmental activities capital assets, net	<u>\$ 707,769</u>			<u>\$ 1,933,183</u>

Depreciation expense was charged for the year ended June 30, 2015 to functions of the School as follows:

Facilities	\$ 183,948
Transportation	2,080
Food services	<u>1,390</u>
Total depreciation	<u>\$ 187,418</u>



**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE E - 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. The following is a schedule of revenue sources and amounts:

Sources	Amounts
Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 1,447,966
Class size reduction	325,155
Hold harmless	25,086
Discretionary local effort	123,128
Referrals	144,791
Supplemental academic instruction	102,647
Student transportation	116,307
ESE guaranteed allocation	87,343
Instructional materials allocation	26,544
Science laboratory materials	252
ESE Apps instructional material	687
Other FEFP	6,461
Discretionary tax compression	12,085
Digital classroom	5,921
Florida teachers lead program stipend	6,146
Discretionary lottery	1,197
Proration to funds available	(12,866)
Administration fee withheld (5%)	(74,026)
Subtotal	2,344,824
Capital outlay funds	171,609
Title 1 grant funds	179,106
Total revenue sources passed through the School Board of Okaloosa County, Florida	2,695,539
Federal impact aid	4,473
National school lunch program	108,718
Other revenues	
Lunch program	8,299
Other revenues	68,218
	\$ 2,885,247

**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

1. Operating leases

The School signed a facility sublease with a related party commencing on July 1, 2009. The lease requires monthly payments of \$843 and expires on December 3, 2014 with the option to renew at an increase of the Consumer Price Index. As of December 3, 2014, the lease has reverted to a month-to-month rental agreement while the property remains in probate. For the year ended June 30, 2015, \$10,120 was charged to operations. Amounts due to other schools for the facility sublease totaled \$843 for both years ended June 30, 2015 and 2014.

There is no total future minimum operating lease as June 30, 2015.

2. Management service contract

The School entered into a management agreement with a third party to provide management, financial, personnel and other school related assistance to the School at a fixed rate of \$78 per enrolled student per month for the 2010-11 year. After the 2010-11 year, the management fees will increase or decrease at the percentage of increase or decrease of the annual FTE funding. In addition to the fixed rate, the agreement also allows curriculum and instruction services provided by the management company for \$1,667 per month. As of July 1, 2011, the fee for the curriculum and instruction services increases or decreases at the same percentage of increase or decrease as the annual FEFP funding. The contract expires on June 30, 2015 and may be terminated by either party by giving ninety days' notice (See Note J for renewal of management agreement). Current year management fees charged to operations totaled \$394,043.

**NOTE G - RELATED PARTY**

1. Management service contract

The management company provides oversight and management 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, 2015 are \$394,043 (see Note F-2).

2. Property lease

A member of the management company has become a part owner of the property the School leases (see Note F-1). The related party relationship has been fully disclosed to the School's Board of Directors.

**Okaloosa Academy, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**NOTE G - RELATED PARTY (continued)**

3. Non-cancelable sublease agreement

The School entered into a related party non-cancelable sublease agreement for facilities, commencing on July 1, 2009. The sublease is with a school that is under the same management company. The contract requires monthly payments of \$843 and expires on December 3, 2014, with the option to renew at an increase of the Consumer Price Index. As of December 3, 2014, the lease has reverted to a month-to-month rental agreement while the property remains in probate (see Note F-1).

4. Shared operating expenses

The School shares various operating expenses with its management company and a school operated by the same management company. During the year, Walton Academy was reimbursed by the School for shared operating expenses totaling \$6,191. Amounts due to other schools for shared operating expenses totaled \$608 for the years ended June 30, 2015.

5. Services provided by school district

The Okaloosa County School District of Florida provided staffing, social, and psychological services to the School. The District valued these services at \$30,486. These services are related to funding received by the District for the services listed above and can only be valued by the District. Therefore, the revenues and related expenses are recorded only at the District level.

**NOTE H - 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 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 2015. 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**

**June 30, 2015**

**NOTE I - PROPERTY EXCHANGE AGREEMENT**

On July 16, 2014, the School entered into a property exchange agreement with the Okaloosa County School District. The agreement provides for the exchange of the Okaloosa Academy's property in Crestview for the District's School building at Lovejoy Road. Due to the nature of the of the property exchange agreement, the School, which is a discretely presented component unit of Okaloosa County School District requires the implementation of GASB Statement No. 48 - *Sales and Pledges of Receivables and Future Revenues and Intra-Entry Transfers of Assets and Future Revenues*. Accordingly, the School received capital assets with value of \$2,024,500, in exchange for capital assets at a cost of \$578,434, resulting in a net gain on exchange of \$1,446,066 report under the special items category on the Statement of Activities. As well, a gain on exchange of capital assets and expenditures of capital outlay of \$2,024,500 are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.

**NOTE J - SUBSEQUENT EVENT**

The School has evaluated subsequent events through September 14, 2015, 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 follows:

On July 8, 2015, the School renewed an agreement with the management company to provide management, financial, personnel and other school related assistance to the School at a management fee established annually by the Board of Director through the annual and amended budget. The terms of the agreement will be effective on July 1, 2015 and will remain in effect during the current term and any subsequent term of the charter contact.

**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, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
FEFP	\$ 1,740,941	\$ 2,187,966	\$ 2,187,966	\$ -
Lead teacher funds	4,996	6,146	6,146	-
Class size reduction	156	-	-	-
Teacher salary increase	47,860	-	-	-
Digital classroom funds	-	5,921	5,921	-
Impact aid funds	3,562	4,473	4,473	-
Referral billing	90,000	144,791	144,791	-
Federal lunch reimbursement	70,000	107,501	-	(107,501)
State lunch supplement	1,500	1,284	-	(1,284)
Student Lunches	5,000	9,000	-	(9,000)
Miscellaneous	25,000	67,395	65,818	(1,577)
Rental income	-	-	2,400	2,400
Total revenues	<u>1,989,015</u>	<u>2,534,477</u>	<u>2,417,515</u>	<u>(116,962)</u>
Expenditures				
Salaries	922,282	1,163,000	1,116,815	46,185
Social security	74,000	90,500	86,788	3,712
Group insurance	107,000	118,270	113,147	5,123
Worker's compensation	8,839	9,000	8,890	110
Unemployment compensation	18,000	23,000	21,268	1,732
Management services	318,264	394,043	394,043	-
Audit/accounting	10,700	10,900	10,900	-
Child care	1,500	21,000	19,744	1,256
School resource officer	43,564	40,688	40,688	-
Staff development	15,000	2,000	1,700	300
Custodial/maintenance	14,000	34,000	32,389	1,611
Special items - gain on exchange of capital assets	13,000	4,200	3,682	518
Miscellaneous contract services	2,000	2,000	500	1,500
Insurance	32,200	36,500	35,474	1,026
Travel	3,800	4,200	4,287	(87)
Repairs and maintenance	100	1,000	907	93
Vehicle maintenance	16,000	35,000	33,062	1,938
Computer services	19,000	22,000	21,048	952
Computer repair	2,000	-	-	-
Fire alarm inspections	1,152	1,200	-	1,200
Copier lease	7,300	7,300	6,920	380
Miscellaneous rental	1,000	1,000	474	526
Postage	2,400	4,000	3,266	734
Radios-airtime	6,500	8,000	7,815	185
Telephone	17,000	16,500	16,718	(218)
Water and sewer	4,300	9,000	8,617	383
Garbage	7,500	1,000	947	53
Printing	2,500	7,500	5,127	2,373
Pest control	1,200	1,700	1,425	275
Security/monitoring	1,560	2,000	1,370	630
Non-professional service	1,500	20,000	18,830	1,170
Electricity/natural gas	63,000	70,000	68,227	1,773
Vehicle gasoline	38,000	35,000	33,479	1,521
Supplies	45,000	56,000	55,096	904
Instructional material	12,000	25,000	22,898	2,102
Food	-	-	251	(251)
Lunches	68,000	105,000	-	105,000
Computer equipment	-	22,000	21,458	542
Motor vehicles	2,500	10,000	10,000	-
Software	1,500	11,000	9,580	1,420
Software subscriptions	41,225	-	-	-
Dues and fees	8,000	8,500	7,393	1,107
Substitutes/temporary	48,000	35,000	34,230	770
Total expenditures	<u>2,002,386</u>	<u>2,468,001</u>	<u>2,279,453</u>	<u>188,548</u>
Excess (deficiency) of revenues over (under) expenditures	(13,371)	66,476	138,062	71,586
Other financing sources and (uses)				
Transfers out	-	-	(35,698)	(35,698)
Sale of capital assets	4,500	-	-	-
Total other financing sources and (uses)	<u>4,500</u>	<u>-</u>	<u>(35,698)</u>	<u>(35,698)</u>
Net change in fund balance	(8,871)	66,476	102,364	35,888
Fund balance at July 1, 2014	165,667	165,667	165,667	-
Fund balance at June 30, 2015	<u>\$ 156,796</u>	<u>\$ 232,143</u>	<u>\$ 268,031</u>	<u>\$ 35,888</u>

See the accompanying note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 173,462	\$ 171,609	\$ 171,609	\$ -
Total revenues	173,462	171,609	171,609	-
Expenditures				
Misc contract services	4,000	-	-	-
Insurance	5,250	-	-	-
Repairs and maintenance	18,000	42,000	37,029	4,971
Repairs computers	-	-	-	-
Lease-land	33,000	-	-	-
Lease-facilities	10,200	10,000	10,120	(120)
Supplies	1,000	2,000	1,125	875
Non-professional service	-	-	-	-
Land	-	-	7,126	(7,126)
Buildings over \$1,000	-	103,000	2,074,324	(1,971,324)
Furniture, equipment under \$1,000	5,000	2,149	4,229	(2,080)
Furniture, equipment over \$1,000	18,000	20,000	18,935	1,065
Computer equipment	-	-	-	-
Motor vehicles	-	-	-	-
Improvements other than buildings	4,000	3,500	2,576	924
Remodeling/renovation	68,000	10,000	52,104	(42,104)
Software subscriptions	-	-	-	-
Rental miscellaneous	550	500	-	500
Total expenditures	167,000	193,149	2,207,568	(2,014,419)
Excess (deficiency) of revenues over (under) expenditures before special items	6,462	(21,540)	(2,035,959)	(2,014,419)
Special items - gain on exchange of capital assets	-	-	2,024,500	2,024,500
Net change in fund balance	6,462	(21,540)	(11,459)	10,081
Fund balance at July 1, 2014	35,254	35,254	35,254	-
Fund balance at June 30, 2015	\$ 41,716	\$ 13,714	\$ 23,795	\$ 10,081

See the accompanying note to required supplementary information.

**Okaloosa Academy, Inc.**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2015**

**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund, capital outlay fund and individual grants and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2015, 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.

As a result of planning the capital outlay budget on an operational basis, the School's budgeted capital outlay expenditures were less than actuals by \$2,014,419 due to the implementation of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* for the exchange of capital assets with the Okaloosa County School District.



**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, 2015, 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, 2015.

**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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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.

September 14, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## 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., a component unit of the Okaloosa County School District, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 14, 2015.

### 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, 2015, 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. The official title of the entity is Okaloosa Academy, Inc.

## **Financial Condition**

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that 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.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report 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.

## **Other Matters**

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 which 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 School's management, Board of Directors, others within the School, the Okaloosa County School District, the State of Florida Office of the Auditor General, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 14, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS**

For the year ended June 30, 2014 and June 30, 2015, there are no findings, management recommendations and other matters.