

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 84,296

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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>	
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>	

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

<u>Right-of-use Assets</u>	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
<b>Expenditures</b>				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

**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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

<b>2022-2021 FY Findings</b>	<b>2021-2020 FY Findings</b>	<b>2020-2019 FY Findings</b>
None	2021-001 - Cleared	None

**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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 84,296

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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>	
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>	

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

<u>Right-of-use Assets</u>	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
<b>Expenditures</b>				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

**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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

<b>2022-2021 FY Findings</b>	<b>2021-2020 FY Findings</b>	<b>2020-2019 FY Findings</b>
None	2021-001 - Cleared	None

**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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	<u>688,394</u>	<u>265,170</u>	<u>30,411</u>	<u>983,975</u>
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	84,296
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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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2022</u>
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

Right-of-use Assets	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
<b>Expenditures</b>				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	<u>265,170</u>	<u>265,170</u>	<u>265,170</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

**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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

<b>2022-2021 FY Findings</b>	<b>2021-2020 FY Findings</b>	<b>2020-2019 FY Findings</b>
None	2021-001 - Cleared	None

**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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	84,296
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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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2022</u>
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

Right-of-use Assets	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	\$ 24,854	\$ -	\$ -	\$ 24,854
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
Expenditures				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

### 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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

2022-2021 FY Findings	2021-2020 FY Findings	2020-2019 FY Findings
None	2021-001 - Cleared	None

### 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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 926,861
Due from other agencies	34,516
Due from other schools	78,946
Prepays	34,554
	<hr/>
Total current assets	1,074,877
	<hr/>

**CAPITAL ASSETS**

Capital assets not being depreciated:	
Land	7,126
Capital assets, net of accumulated depreciation:	
Buildings	611,620
Improvements other than buildings	24,540
Furniture, fixtures and equipment	39,893
Motor vehicles	75,871
	<hr/>
Total capital assets, net	759,050

**NONCURRENT ASSETS**

Right-of-use assets	11,415
	<hr/>
Total noncurrent assets, net	770,465
	<hr/>
Total assets	1,845,342
	<hr/>

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	6,274
Accrued payroll liabilities	332
Lease liabilities - due within one year	5,104
Long-term liabilities:	
Lease liabilities - due in more than one year	6,311
	<hr/>
Total liabilities	18,021
	<hr/>

**NET POSITION**

Net investment in capital assets	759,050
Restricted for:	
Capital outlay	282,043
Food service	13,216
Unrestricted	773,012
	<hr/>
Total net position	\$ 1,827,321
	<hr/>

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	84,296
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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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2022</u>
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

Right-of-use Assets	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	\$ 24,854	\$ -	\$ -	\$ 24,854
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	1,281,498	1,559,651	1,553,175	(6,476)
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	1,573,937	1,545,738	1,468,557	77,181
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	688,394	688,394	688,394	-
Fund balance at June 30, 2022	\$ 395,955	\$ 702,307	\$ 773,012	\$ 70,705

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
Expenditures				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

**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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

<b>2022-2021 FY Findings</b>	<b>2021-2020 FY Findings</b>	<b>2020-2019 FY Findings</b>
None	2021-001 - Cleared	None

**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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	(2,068,219)	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		\$ 1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	84,296
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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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

Right-of-use Assets	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	\$ 24,854	\$ -	\$ -	\$ 24,854
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
Expenditures				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

### 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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

2022-2021 FY Findings	2021-2020 FY Findings	2020-2019 FY Findings
None	2021-001 - Cleared	None

### 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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	688,394	265,170	30,411	983,975
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 84,296

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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>	
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>	

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2022</u>
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

Right-of-use Assets	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	<u>246,404</u>	<u>265,168</u>	<u>270,776</u>	<u>5,608</u>
<b>Expenditures</b>				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	<u>139,500</u>	<u>248,293</u>	<u>253,903</u>	<u>(5,610)</u>
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	<u>\$ 372,074</u>	<u>\$ 282,045</u>	<u>\$ 282,043</u>	<u>\$ (2)</u>

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

**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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

<b>2022-2021 FY Findings</b>	<b>2021-2020 FY Findings</b>	<b>2020-2019 FY Findings</b>
None	2021-001 - Cleared	None

**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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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

**OKALOOSA  
ACADEMY, INC.**  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okaloosa Academy, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School's internal control over financial reporting and compliance.

### **Emphasis of Matters**

As discussed in Note F to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,827,321.
- The School's total net position decreased by \$9,747.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$1,068,271, an increase of \$84,296 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$738,458.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,827,321 at the close of the most recent fiscal year.

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

Comparison of the condensed statement of net position and the statement of activities are provided below (2021 restated for GASB 87):

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 1,074,877	\$ 1,023,373	\$ 51,504
Noncurrent assets	<u>770,465</u>	<u>869,448</u>	<u>(98,983)</u>
Total assets	<u>1,845,342</u>	<u>1,892,821</u>	<u>(47,479)</u>
<b>LIABILITIES</b>			
Current liabilities	11,710	44,154	(32,444)
Noncurrent Liabilities	<u>6,311</u>	<u>11,599</u>	<u>(5,288)</u>
Total liabilities	<u>18,021</u>	<u>55,753</u>	<u>(37,732)</u>
<b>NET POSITION</b>			
Net investment in capital assets	759,050	853,093	(94,043)
Restricted for capital outlay	282,043	265,170	16,873
Restricted for food service	13,216	30,411	(17,195)
Unrestricted	<u>773,012</u>	<u>688,394</u>	<u>84,618</u>
Total net position	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Current assets increased primarily due to amounts due from other agencies and other schools and prepaid expenses. Noncurrent assets decreased mostly due to current year depreciation offset by current year additions. Current liabilities decreased due mostly to accounts payable and no amounts due to other agencies. Net position decreased primarily in net investment in capital assets, which represents current year depreciation less the additions purchased offset by an increase in unrestricted amounts during the year.

Changes in the School's revenues were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,863	\$ 2,222	\$ 2,641
Operating grants and contributions	206,369	207,066	(697)
Capital grants and contributions	270,776	195,299	75,477
General revenues	1,553,175	1,509,154	44,021
Forgiveness of PPP loan	<u>-</u>	<u>428,445</u>	<u>(428,445)</u>
Total revenues	<u>\$ 2,035,183</u>	<u>\$ 2,342,186</u>	<u>\$ (307,003)</u>

Capital grants and contributions increased related to the increases in county sales tax offset by a reduction in capital outlay funding during the year. General revenues increased mostly due to increases in Federal Impact Aid and by prepaids. Forgiveness of PPP loan decreased due to the recognition of loan forgiveness in the prior year.

Changes in the School's expenses were as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Basic instruction	\$ 628,063	\$ 655,820	\$ (27,757)
Exceptional instruction	58,566	49,007	9,559
Media services	23,102	-	23,102
Curriculum development	-	279	(279)
Staff development	100	4,500	(4,400)
Board of directors	23,894	12,952	10,942
School administration	265,871	255,070	10,801
Facilities	352,182	268,888	83,294
Fiscal services	158,765	129,072	29,693
Food services	100,521	52,977	47,544
Staff services	149,332	119,583	29,749
Transportation	117,452	122,901	(5,449)
Operation of plant	164,254	115,378	48,876
Maintenance of plant	2,828	260	2,568
Capital outlay	-	109	(109)
Total expenses	<u>2,044,930</u>	<u>1,786,796</u>	<u>258,134</u>
Change in net position	(9,747)	555,390	(565,137)
Net position at July 1, 2021	<u>1,837,068</u>	<u>1,281,678</u>	<u>555,390</u>
Net position at June 30, 2022	<u>\$ 1,827,321</u>	<u>\$ 1,837,068</u>	<u>\$ (9,747)</u>

Basic instruction decreased primarily due to decreases in group insurance and the resource officer costs offset by increases in computer equipment and other personal services. Media services increased due to purchases of furniture and equipment, computer hardware, and software subscriptions. Facilities increased due mainly to painting of the facility during the year. Fiscal services increased due to management fees charged during the year. Food services increased due to increases in salaries and benefits and increases in food supplies related to free and reduced lunches. Staff services increased due to management fees charged during the year. Operation of plant increased mostly due to increases in custodial and maintenance services, repairs and maintenance, and cost of utilities.

### 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 \$1,068,271.

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 \$738,458.

During the current fiscal year, the fund balance of the School's general fund increased by \$84,618.

### **General Fund Budgetary Highlights**

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

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

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

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$759,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures, and equipment, and motor vehicles. Additional information on the School's capital assets can be found at Note D.

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

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. For the 2022-2023 school year, the School is forecasting enrollment to be 162 students, a decrease from 176 students enrolled in 2021-2022.

### **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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	926,861
Due from other agencies		34,516
Due from other schools		78,946
Prepays		34,554
		1,074,877
Total current assets		1,074,877

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		7,126
Capital assets, net of accumulated depreciation:		
Buildings		611,620
Improvements other than buildings		24,540
Furniture, fixtures and equipment		39,893
Motor vehicles		75,871
		759,050
Total capital assets, net		759,050

**NONCURRENT ASSETS**

Right-of-use assets		11,415
		770,465
Total noncurrent assets, net		770,465
Total assets		1,845,342

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		6,274
Accrued payroll liabilities		332
Lease liabilities - due within one year		5,104
Long-term liabilities:		
Lease liabilities - due in more than one year		6,311
		18,021
Total liabilities		18,021

**NET POSITION**

Net investment in capital assets		759,050
Restricted for:		
Capital outlay		282,043
Food service		13,216
Unrestricted		773,012
		1,827,321
Total net position	\$	1,827,321

**Okaloosa Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2022**

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	\$ 628,063	\$ -	\$ 121,232	\$ -	\$ (506,831)
Exceptional instruction	58,566	-	-	-	(58,566)
Media services	23,102	-	-	-	(23,102)
Staff development	100	-	-	-	(100)
Board of directors	23,894	-	-	-	(23,894)
School administration	265,871	-	-	-	(265,871)
Facilities	352,182	-	-	270,776	(81,406)
Fiscal services	158,765	-	-	-	(158,765)
Food services	100,521	4,863	85,137	-	(10,521)
Staff services	149,332	-	-	-	(149,332)
Transportation	117,452	-	-	-	(117,452)
Operation of plant	164,254	-	-	-	(164,254)
Maintenance of plant	2,828	-	-	-	(2,828)
Capital outlay	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 2,044,930</b>	<b>\$ 4,863</b>	<b>\$ 206,369</b>	<b>\$ 270,776</b>	<b>\$ (1,562,922)</b>

General revenues:

Florida education finance program	1,322,098
Federal impact aid	118,706
Other revenues	112,371
<b>Total revenues</b>	<b>1,553,175</b>
Change in net position	(9,747)
Net position at July 1, 2021	1,837,068
<b>Net position at June 30, 2022</b>	<b>\$ 1,827,321</b>

**Okaloosa Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 926,861	\$ -	\$ -	\$ 926,861
Accounts receivable	-	4,778	-	4,778
Due from other agencies	29,738	-	-	29,738
Due from other schools	78,946	-	-	78,946
Prepays	34,554	-	-	34,554
Due from other funds	-	277,265	13,216	290,481
Total assets	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,274	\$ -	\$ -	\$ 6,274
Accrued payroll liabilities	332	-	-	332
Due to other agencies	-	-	-	-
Due to other funds	290,481	-	-	290,481
Total liabilities	297,087	-	-	297,087
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	34,554	-	-	34,554
Restricted for:				
Capital outlay	-	282,043	-	282,043
Food service	-	-	13,216	13,216
Unassigned	738,458	-	-	738,458
Total fund balances	773,012	282,043	13,216	1,068,271
Total liabilities and fund balances	\$ 1,070,099	\$ 282,043	\$ 13,216	\$ 1,365,358

**Okaloosa Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

Total Fund Balances -Governmental Funds		\$ 1,068,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,827,269	
Accumulated depreciation	<u>(2,068,219)</u>	759,050
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		11,415
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Lease liabilities		(11,415)
Net Position of Governmental Activities		<u><u>\$ 1,827,321</u></u>

**Okaloosa Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2022**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ 118,706	\$ -	\$ 204,117	\$ 322,823
State passed through local school district	1,322,098	93,229	2,252	1,417,579
Other revenues	112,371	177,547	4,863	294,781
Total revenues	<u>1,553,175</u>	<u>270,776</u>	<u>211,232</u>	<u>2,035,183</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	505,096	-	121,880	626,976
Exceptional instruction	58,566	-	-	58,566
Media services	28,172	-	-	28,172
Staff development	100	-	-	100
Board of directors	23,894	-	-	23,894
School administration	265,871	-	-	265,871
Facilities	2,593	159,742	-	162,335
Fiscal services	158,765	-	-	158,765
Food services	-	-	106,547	106,547
Staff services	149,332	-	-	149,332
Transportation	109,086	-	-	109,086
Operation of plant	164,254	-	-	164,254
Maintenance of plant	2,828	26,875	-	29,703
Capital outlay	-	67,286	-	67,286
Total expenditures	<u>1,468,557</u>	<u>253,903</u>	<u>228,427</u>	<u>1,950,887</u>
Net change in fund balance	84,618	16,873	(17,195)	84,296
Fund balances at July 1, 2021	<u>688,394</u>	<u>265,170</u>	<u>30,411</u>	<u>983,975</u>
Fund balances at June 30, 2022	<u>\$ 773,012</u>	<u>\$ 282,043</u>	<u>\$ 13,216</u>	<u>\$ 1,068,271</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, 2022**

Net Change in Fund Balances - Governmental Funds	\$	84,296
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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	\$	154,243	
Provision for amortization of leases		(4,941)	
Provision for depreciation		(247,536)	
Loss on disposal of capital assets		<u>(750)</u>	(98,984)

Some expenses reported in governmental funds are to be reported in a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>4,941</u>
Change in Net Position - Governmental Activities	\$	<u><u>(9,747)</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 August 31, 2027. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Okaloosa Academy, Inc. is considered a component unit of the Okaloosa County School District, Florida.

2. Government-wide and fund financial statements

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

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

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

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

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

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

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, the cash made up of deposits and cash on hand totaled \$926,861.

5. Receivables, due from other agencies and schools

The School's receivables, including due from other agencies and schools, mainly consist of amounts due from program receivables and other agencies at June 30, 2022. Based on prior experience, the School's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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 (see Note C).

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	7-10
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-10
Motor vehicles	5

8. Long-term obligations

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

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.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

9. Revenue sources (continued)

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

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

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

10. Use of estimates

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

11. Income taxes

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

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

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

12. Fund balance classification

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

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

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

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

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

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

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

13. Budget

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

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**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, 2022, \$721,458 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 (see Note A-6). The general fund has recorded total payables of \$277,265 to the capital outlay fund and \$13,216 to other governmental funds for amounts received but not yet spent on behalf of these funds. Transfers between funds are made to move any excess or shortage of funds derived from special revenue funds to or from the general fund. There was no transfers as of June 30, 2022.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE D – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not depreciated:				
Land	\$ 7,126	\$ -	\$ -	\$ 7,126
Capital assets depreciated:				
Buildings	2,274,460	58,867	-	2,333,327
Furniture, fixtures and equipment	214,634	36,110	-	250,744
Improvements other than buildings	61,121	-	-	61,121
Computer software	85,831	-	-	85,831
Motor vehicles	37,354	59,266	7,500	89,120
Total capital assets depreciated	<u>2,673,400</u>	<u>154,243</u>	<u>7,500</u>	<u>2,820,143</u>
Less accumulated depreciation:				
Buildings	1,493,683	228,024	-	1,721,707
Furniture, fixtures and equipment	205,870	4,981	-	210,851
Improvements other than buildings	34,681	1,900	-	36,581
Computer software	85,831	-	-	85,831
Motor vehicles	7,368	12,631	6,750	13,249
Total accumulated depreciation	<u>1,827,433</u>	<u>247,536</u>	<u>6,750</u>	<u>2,068,219</u>
Total capital assets, net	<u>\$ 853,093</u>	<u>\$ (93,293)</u>	<u>\$ 750</u>	<u>\$ 759,050</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 1,087
Media services	670
Facilities	230,334
Food service	2,814
Transportation	12,631
	<u>\$ 247,536</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE E – COMMITMENTS AND CONTINGENCIES**

1. Management service contract

As of July 8, 2015, the School entered into a management agreement with a third party to provide financial, human resources, and administration services to the School at a fee approved annually by the School’s Board of Directors as part of the annual and amended budget for the School. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. The current year management fees charged to operations totaled \$298,664.

**NOTE F – LEASE LIABILITY AND RIGHT-OF-USE ASSET**

1. Lease Liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier 1	5/12/2020	\$ 12,226	\$ -	\$ 354	\$ 2,910	\$ 3,264	\$ 9,316	\$ 3,005
Copier 2	5/28/2018	4,130	-	101	2,031	2,132	2,099	2,099
Total		<u>\$ 16,356</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 4,941</u>	<u>\$ 5,396</u>	<u>\$ 11,415</u>	<u>\$ 5,104</u>

2. Right-of-Use Assets

In relationship to the lease liabilities, the School chooses to amortize the lease assets on a straight-line basis. Changes in right-of-use assets are presented in the table below:

<u>Right-of-use Assets</u>	July 1, 2021	Additions	Decreases	June 30, 2022
Copiers	<u>\$ 24,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>
Total right-of-use assets, being amortized	<u>24,854</u>	<u>-</u>	<u>-</u>	<u>24,854</u>
Less accumulated amortization:				
Copiers	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total accumulated amortization	<u>8,498</u>	<u>4,941</u>	<u>-</u>	<u>13,439</u>
Total right-of-use assets being amortized, net	<u>\$ 16,356</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 11,415</u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE G – PREPAID EXPENSES**

As of June 30, 2022, the School has a prepaid balance of \$34,554 related to purchase of digital textbooks, learning software subscriptions, and water bottle dispenser to be connect in the 2022-2023 school year.

**NOTE H – 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, 2022 were \$298,664 (see Note E).

2. Shared operating expenses

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

The School also provides educational services under a contract with the Department of Juvenile Justice Residential Commitment Facility in Fort Walton Beach, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year, the School was reimbursed in full in the amount \$1,019,727, for the payroll related to these personnel.

An amount of \$22,654 is due from other schools for shared operating expenses for the year ended June 30, 2022.

2. School district services

The School receives various services paid for by the Okaloosa School District during the year. As of June 30, 2022, the School has received services in the amount of \$97,683.

**NOTE I – 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 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE J – CONCENTRATIONS**

1. Revenue sources

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 739,541
Class size reduction	162,732
Discretionary local effort	80,660
Teacher salary allocation state	60,711
Student transportation	52,080
Supplemental academic instruction	47,920
ESE guaranteed allocation	42,664
Additional allocations	27,969
Discretionary tax compression	20,400
Instructional materials allocation	13,757
Safe schools	10,304
Reading instruction	7,213
Federally connected students	1,836
Digital classroom	582
Total FEPF revenue	<u>1,268,369</u>
Less administration fee	<u>(62,334)</u>
Total FEPF revenue less administrative fee	1,206,035
Local sales tax	177,547
Title 1	121,232
FEPF referrals	107,917
ESSER II	93,587
Capital outlay	93,229
National school lunch act	82,885
Insurance recovery	78,255
E-rate	27,797
ESSER I	18,046
Other local revenues	248,938
Federal impact aid	7,073
FFCRA payroll liability refund	4,876
Florida teacher classroom supply assistance	3,270
State school lunch supplement	2,252
	<u><u>\$ 2,272,939</u></u>

**Okaloosa Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2022**

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 12, 2022, 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 July 6, 2022, the School paid a down payment of \$59,120 for new fire alarm system for the facility.
- On August 22, 2022, the School purchased computers for \$21,074 for use by teachers and students.

**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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FEFP	\$ 959,146	\$ 1,211,765	\$ 1,203,360	\$ (8,405)
Referrals	100,000	107,917	107,917	-
Lead teacher funds	3,270	3,270	3,270	-
Federal impact aid funds	5,000	7,073	7,073	-
Federal through district	124,000	110,000	111,633	1,633
Teacher salary allocation state	-	-	2,675	2,675
FFCRA payroll liability refund	-	5,081	4,876	(205)
Donations	100	170	170	-
Interest on investments	-	500	529	29
Uniforms	2,000	4,630	4,630	-
Insurance loss recovery	-	78,255	78,255	-
Miscellaneous	78,500	990	990	-
E-Rate	9,482	30,000	27,797	(2,203)
Total revenues	<u>1,281,498</u>	<u>1,559,651</u>	<u>1,553,175</u>	<u>(6,476)</u>
<b>Expenditures</b>				
Salaries	625,822	614,381	575,152	39,229
Retirement	125	5,000	2,460	2,540
Social security	47,967	54,794	44,246	10,548
Group insurance	85,918	77,920	38,015	39,905
Worker's compensation	12,000	11,901	6,266	5,635
Unemployment compensation	1,000	1,532	1,375	157
Consulting services-curriculum/staff develop	-	6,500	2,839	3,661
Management fee	304,000	304,000	298,664	5,336
Audit/accounting	9,785	9,785	9,285	500
Staff development	5,000	-	-	-
School resource officer	59,000	59,000	59,373	(373)
Custodial/maintenance	6,000	16,000	15,200	800
Insurance	67,000	70,000	75,256	(5,256)
Travel	1,500	4,000	4,167	(167)
Repair and maintenance	5,000	15,000	22,204	(7,204)
Vehicle/maintenance	10,000	14,000	13,758	242
Computer repairs	7,500	11,000	10,525	475
Inspections/Fire Ext	-	6,500	6,513	(13)
Lease-copier	5,800	5,800	5,606	194
Postage	1,500	1,700	1,599	101
Phone/internet	18,000	18,000	17,830	170
Cellphones	3,500	3,500	3,523	(23)
Water/sewer	8,000	12,000	11,507	493
Garbage	2,500	3,500	2,972	528
Miscellaneous Non-professional services	4,000	1,500	916	584
Pest control	1,600	1,600	1,400	200
Security monitoring	1,000	1,500	1,200	300
Natural gas	-	-	489	(489)
Electric/gas	42,000	45,000	48,491	(3,491)
Gas/vehicles	15,000	15,000	14,629	371
Supplies	20,000	42,000	53,695	(11,695)
Instructional material	2,500	2,000	3,441	(1,441)
Tires	1,000	-	-	-
Other materials & supplies	2,000	-	-	-
Furniture and equipment	-	-	5,740	(5,740)
Computer equipment	31,560	47,000	45,277	1,723
Improvements	27,500	625	-	625
Remodling and renocations	78,000	-	-	-
Software	1,000	-	-	-
Buses	2,000	-	-	-
Software subscriptions	47,860	45,500	44,114	1,386
Fees/miscellaneous	5,000	5,000	4,729	271
Substitutes/temporary	5,000	13,200	16,101	(2,901)
Total expenditures	<u>1,573,937</u>	<u>1,545,738</u>	<u>1,468,557</u>	<u>77,181</u>
Net change in fund balance	(292,439)	13,913	84,618	70,705
Fund balance at July 1, 2021	<u>688,394</u>	<u>688,394</u>	<u>688,394</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 395,955</u>	<u>\$ 702,307</u>	<u>\$ 773,012</u>	<u>\$ 70,705</u>

**Okaloosa Academy, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2022**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Charter school capital outlay	\$ 130,000	\$ 92,419	\$ 93,229	\$ 810
County local sales tax	116,404	172,749	177,547	4,798
Total revenues	246,404	265,168	270,776	5,608
Expenditures				
Insurance	2,500	2,508	2,508	-
Repairs/maintenance	15,000	21,000	24,067	(3,067)
Improvements	5,000	625	550	75
Inspections	2,000	13,000	12,075	925
Computer equipment	5,000	-	-	-
Building and fixed equipment	-	26,875	31,692	(4,817)
Vehicles	-	55,000	55,001	(1)
Capitalized Fixtures and Equipment	-	19,285	21,705	(2,420)
Remodeling/renovation	110,000	110,000	106,305	3,695
Total expenditures	139,500	248,293	253,903	(5,610)
Net change in fund balance	106,904	16,875	16,873	(2)
Fund balance at July 1, 2021	265,170	265,170	265,170	-
Fund balance at June 30, 2022	\$ 372,074	\$ 282,045	\$ 282,043	\$ (2)

**Okaloosa Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2022**

**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, 2022, 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, 2022 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 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, 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, 2022, and have issued our report thereon dated September 12, 2022.

### 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 12, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

2022-2021 FY Findings	2021-2020 FY Findings	2020-2019 FY Findings
None	2021-001 - Cleared	None

### 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. and 9800.

## **Financial Condition and Management**

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

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

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

## **Transparency**

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

## **Additional Matters**

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

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 12, 2022  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022, there were no findings, recommendations or other matters.

For the year ended June 30, 2021, there were the following audit finding, recommendations or other matters:

**2021-001: Unrecorded liabilities**

**Significant deficiency**

**Status: Cleared**

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

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

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

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

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

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