

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

JUNE 30, 2020

Audited by

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK**

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020**

BOARD OF EDUCATION

Chairman	Karen Youngblood
Vice-Chairman	Sean Burrage
Member	Sidney Ellington
Member	Dr. Amy Emerson
Member	Janet Foss
Member	Dr. Stephen Grissom
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Kevin Clagg

SUPERINTENDENT

Melissa White

INTERIM EXECUTIVE DIRECTOR OFFICE OF JUVENILE AFFAIRS

Rachel Holt

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

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JUNE 30, 2020**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Oklahoma Youth Academy No. J-001
Oklahoma County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type financial statements-regulatory basis of the Oklahoma Youth Academy No. J-001, Oklahoma County, Oklahoma (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1, the financial statements are prepared by the School on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School as of June 30, 2020, or the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type of the School as of June 30, 2020, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Oklahoma State Department of Education in the format required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements, nor was a separate report issued for federal financial assistance, since the required threshold of \$750,000 or more in federal expenditures was not reached.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 29, 2021

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - REGULATORY BASIS
ALL FUND TYPES
JUNE 30, 2020

	<u>GOVERNMENTAL FUND TYPES</u>
	<u>GENERAL</u>
<u>ASSETS</u>	
Cash	\$ <u>344,855</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	\$ -
Fund Balance	
Unassigned	<u>344,855</u>
Total Liabilities and Fund Balance	<u>\$ 344,855</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES,
AND CHANGES IN FUND BALANCE - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020**

	GOVERNMENTAL FUND TYPES
	GENERAL
Revenues collected:	
Local sources	\$ 234
State sources	2,541,001
Federal sources	631,256
Total revenues collected	3,172,491
Expenditures:	
Instruction	2,283,635
Support services	594,890
Operation of non-instructional services	197,011
Total expenditures	3,075,536
Excess of revenues collected over (under) expenditures	96,955
Fund balance, beginning of year	247,900
Fund balance, end of year	\$ 344,855

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2020**

	GENERAL FUND			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues collected:				
Local sources	\$ -	234	234	-
State sources	2,609,354	2,541,001	2,541,001	-
Federal sources	421,879	631,256	631,256	-
Total revenues collected	<u>3,031,233</u>	<u>3,172,491</u>	<u>3,172,491</u>	<u>-</u>
Expenditures:				
Instruction	-	2,283,635	2,283,635	-
Support services	-	594,890	594,890	-
Operation of non-instructional services	-	197,011	197,011	-
Unbudgeted	<u>3,279,133</u>	<u>344,855</u>	<u>-</u>	<u>344,855</u>
Total expenditures	<u>3,279,133</u>	<u>3,420,391</u>	<u>3,075,536</u>	<u>344,855</u>
Excess of revenues collected over (under) expenditures	(247,900)	(247,900)	96,955	344,855
Fund balance, beginning of year	<u>247,900</u>	<u>247,900</u>	<u>247,900</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>344,855</u>	<u>344,855</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Oklahoma Youth Academy NO. J-001, Oklahoma County, Oklahoma (the "School") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The School's accounting policies are described in the following notes that are an integral part of the School's financial statements.

A. Reporting Entity and Related Parties

The governing authority of the School is the Board of Juvenile Affairs (OJA Board), members of which are appointed by the Governor with the advice and consent of the Senate and in accordance with 10A O.S. § 2-7-101, governs the Office of Juvenile Affairs (OJA). As required by 10A O.S. § 2-7-601, OJA provides education and other services to juveniles assigned to its responsibility and placed in OJA-operated facilities. Prior to July 1, 2015, OJA had effected this responsibility through contracts with public school districts. Having received approval by the Oklahoma State Board of Education, pursuant to 70 O.S. § 3-132 and §3-134 of the Oklahoma Charter Schools Act, OJA opened and began operating the Oklahoma Youth Academy (OYA) on campuses in the Central Oklahoma Juvenile Center and the Southwest Oklahoma Juvenile Center. The governing body of OYA is composed of members of the OJA Board. Responsibility for all administrative and operational aspects of OYA resides with the Executive Director of OJA in accordance with 10A O.S. § 2-7-616. The School will operate as a Charter School under State Board sponsorship. The State Board receives all of the State Aid allocation and any other state-appropriated revenue generated by the students of the School and retains 5% of the State Aid allocations as a fee for administrative services rendered.

The School receives funding from state and federal government sources and must comply with the requirements of these funding sources. The School is currently included in the State of Oklahoma's "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the School's Board members are the Board members of the State Agency the Office of Juvenile Affairs, and the funds of the School are co-mingled with the funds of the Office of Juvenile Affairs.

The School is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes and the Oklahoma Charter Schools Act.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Mission

The School's mission is "To provide an individualized education which encompasses academic, social, emotional, and employment skills for highly challenged youth in a non-traditional setting. This will be accomplished by encouraging self-worth and determination in a supportive atmosphere with dedicated teachers and staff that will assist youth toward realizing their true potential..

C. Measurement Focus

The accounts of the School are organized and operate on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School has the following fund type:

Governmental funds – are used to account for most of the School's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

General fund – is the primary operating fund of the School. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include state funding passed through the Oklahoma State Board of Education, and various state and federal grants. Expenditures include all costs associated with the daily operations of the schools expect for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Measurement Focus – cont'd

debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

D. Basis of Accounting and Presentation

The School prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- School supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the financial statements.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the financial statements. Fixed assets are not depreciated.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statutes govern a portion of the School's investment policy. Permissible investments for state and federal funds include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments for a charter school are not restricted for privately-raised funds, or funds received from a donor or foundation.

2. Fair Value of Financial Instruments

The School's financial instruments include cash, and equity and fixed income investments. The School accounts for its equity and fixed income investments at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment pools*. Changes in unrealized gains (losses) on the carrying value of the investments are reported as a part of local sources of revenue in the accompanying combined statement of revenues collected, expenditures, and changes in fund balances – regulatory basis – all governmental fund types.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the School's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

6. Fixed Assets

The School does not have any general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General Fixed assets that are purchased to use by the School are purchased by the OJA and OJA maintains the title to these assets.

7. Compensated Absences

The School provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. School policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Fund Balance Classifications

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and note receivables, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

Committed Fund Balance – The fund balance should be reported as committed for amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned Fund Balance – The fund balance should be reported as assigned for amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

9. Local Revenues

Local sources of revenues include reimbursements and contributions.

10. State Revenues

Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to schools. For purposes of funding, a charter school is considered a site within the school district in which the charter school is located. A charter school is to receive from the sponsoring district, the state aid revenue generated by its students for the applicable year, less up to 5% of the total, which may be retained by the sponsoring school district as a fee for the administrative services rendered.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The School receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the School's general fund.

11. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state. Entitlement is the amount of payment to which the School is entitled pursuant to an allocation formula contained in applicable statutes.

12. Instruction Expenditures

Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

13. Support Services Expenditures

Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

14. Operation of Non-Instructional Services Expenditures

These expenditures are activities concerned with providing non-instructional services to students, staff or the community.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

15. Facilities Acquisition and Construction Services Expenditures

These expenditures consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

16. Other Outlays Expenditures

A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) and certain transfers of monies from one fund to another.

17. Other Uses Expenditures

Other uses expenditures include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the School or a third-party administrator.

18. Repayment Expenditures

Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from School funds.

19. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

20. Resource Use Policy

It is the School's policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the School considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the School's policy when an expenditure is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board, becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

The 2019-20 Estimate of Needs was amended by the following supplemental appropriations:

Fund	Supplemental Appropriations	Original Appropriations	Final Appropriations
General	\$ 141,258	3,279,133	3,420,391

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all Governmental Funds of the School. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

3. DETAILED NOTES CONCERNING THE FUNDS

Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the School holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the School holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School's name.

The School's policy as it relates to custodial credit risk is to secure its uninsured deposits for state and federal funds with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Schools in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the School must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2020 the School held deposits of approximately \$344,855 in designated accounts with the Oklahoma State Treasurer's office. These deposits were covered by \$250,000 Federal Depository Insurance (FDIC), with any funds in excess of that amount during the year secured with direct obligations of the U.S. Government insured or collateralized with securities held by the State Treasurer.

Investment Credit Risk

The School's investment policy is based on an understanding of the risks in investing, the need to make compromises in choosing assets, investment goals, expectations of investment return, and the benefits of diversification.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The School's investment policy dictates a low tolerance for the risk of loss of funds that are needed for the current year. The investment objective for these funds is preservation of capital. An amount for liquidity requirements equal to at least three (3) months of funding are to be held in assets that have a minimal risk of capital loss (i.e., short-term treasury securities, money market accounts, money market mutual funds and/or FDIC insured certificates of deposit). The tolerance for the risk of loss on excess funds is moderate. The investment objective for these funds is growth and income. Funds are to be invested to balance the desire of the School to maximize expected returns within prudent levels of risk.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

Deposits and Investments – cont'd

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the School. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The School places no limit on the amount it may invest in any one issuer.

At June 30, 2020, the School had no concentration of credit risk as defined above.

4. OTHER INFORMATION

A. 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; injuries to employees; or acts of God. The School purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in the past fiscal year.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

4. OTHER INFORMATION

C. Employee Retirement System and Plan

Description of Plan

The School participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension obligation as determined as part of the latest actuarial valuation.

Funding Policy

The School, the State of Oklahoma, and the participating employees make contributions. The contribution rates for the School and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.00% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 7.70%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The School's employer contribution rate was 9.50%. The School is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The School's total contributions for 2020, 2019 and 2018 were \$420,723, \$343,193 and \$320,630, respectively.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2020

4. OTHER INFORMATION – cont'd

D. Surety Bonds

The superintendent, treasurer and encumbrance clerk are bonded through the State of Oklahoma's Government Crime Policy for the penal sums of \$100,000, each, terms beginning July 1, 2019 and ending July 1, 2020.

The minutes clerk is bonded through the State of Oklahoma's Government Crime Policy for the penal sum of \$50,000, term beginning July 1, 2019 and ending July 1, 2020.

E. Related Party Transactions

1. The School received funding in the amount of \$1,641,512 from OJA. This represents 52% of the revenue received for the year ended June 30, 2020. Significant changes in the funding from OJA could have a favorable or unfavorable impact on the operating results of the School.
2. The School has a contract with Oklahoma State Board of Education (the "Board") to sponsor the School under the provisions of the Charter School Act under Title 70 of the Oklahoma Statutes. The Board provided funding to the School under the provisions of Oklahoma Statutes and rules of the State Department of Education as described in Note 1. Funding is based on the School's enrollment as calculated by the State Department of Education minus 5% retained by the Board as an administration fee. Payments of the funding to the School by the Board are included as state sources in the accompanying statements in the amount of \$891,590 for the year ended June 30, 2020. These funds accounted for 28% of the revenues collected by the School for the year ended June 30, 2020.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Project Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2019</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2020</u>
<u>U.S. Department of Education:</u>							
<u>Passed Through Oklahoma State Department of Education:</u>							
Title I	84.010	511	\$ 45,459	-	45,459	45,459	-
Title I 2018-19 - Note 1	84.010	799	-	-	6,780	-	-
Title ID, Neglected and Delinquent	84.010	531	184,744	-	144,580	184,744	-
Title ID, Neglected and Delinquent 2018-19 - Note 1	84.010	799	-	-	167,312	-	-
Title I Cluster			<u>230,203</u>	<u>-</u>	<u>364,131</u>	<u>230,203</u>	<u>-</u>
IDEA-B Discretionary Professional Development - District	84.027	615	1,540	-	-	-	1,540
Certification Examination	84.027	616	350	-	-	-	350
COVID Assistance	84.027	617	2,688	-	-	-	2,688
IDEA-B Flow Through	84.027	621	31,362	-	31,362	31,362	-
IDEA-B Flow Through 2018-19 - Note 1	84.027	799	-	-	11,177	-	-
Special Education Cluster			<u>35,940</u>	<u>-</u>	<u>42,539</u>	<u>31,362</u>	<u>4,578</u>
Title IIA, Teacher and Principal Training and Recruitment	84.367	541	17,135	-	6,000	6,000	11,135
Title V, Subpart 2 Rural/Low Income Schools	84.358	586	2,388	-	-	-	2,388
Title IVA, Student Support and Academic Enrichment Grant	84.424A	552	15,000	-	15,000	15,000	-
Title IVA, Student Support and Acad. Enrich. Grant 2018-19 - Note 1	84.424A	799	-	-	15,000	-	-
Sub Total			<u>34,523</u>	<u>-</u>	<u>36,000</u>	<u>21,000</u>	<u>13,523</u>
Total U.S. Department of Education			<u>300,666</u>	<u>-</u>	<u>442,670</u>	<u>282,565</u>	<u>18,101</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through Oklahoma State Department of Education:</u>							
School Breakfast Program	10.553	764	-	3,632	68,624	70,001	2,255
National School Lunch Program	10.555	763	-	8,496	119,962	125,109	3,349
Child Nutrition Cluster			-	12,128	188,586	195,110	5,604
Total U.S. Department of Agriculture			<u>-</u>	<u>12,128</u>	<u>188,586</u>	<u>195,110</u>	<u>5,604</u>
Total Expenditures of Federal Awards			<u>\$ 300,666</u>	<u>12,128</u>	<u>631,256</u>	<u>477,675</u>	<u>23,705</u>

OKLAHOMA YOUTH ACACEMY NO. J-001
Oklahoma County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1: These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2: **Basis of Presentation** - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net assets, or cash flows of the District.

Note 3: **Summary of Significant Accounting Policies** - Expenditures reported on the Schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements, except for nonmonetary assistance. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

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

The Honorable Board of Education
Oklahoma Youth Academy No. J-001
Oklahoma County, Oklahoma

We have audited, 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, the accompanying fund type financial statements-regulatory basis, within the combined financial statements, of the Oklahoma Youth Academy No. J-001, Oklahoma County, Oklahoma (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's combined financial statements, and have issued our report thereon dated March 29, 2021. The report on these financial statements was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma

March 29, 2021

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**FINDINGS RELATED TO FINANCIAL REPORTING
FOR THE YEAR ENDED JUNE 30, 2020**

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no prior year findings.

OKLAHOMA YOUTH ACADEMY NO. J-001
Oklahoma County, Oklahoma

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2020

State of Oklahoma)
)ss
County of Pottawatomie)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with the Oklahoma Youth Academy for the audit year 2019-20.

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm



by _____
Authorized Agent

Subscribed and sworn to before me this 29th day of March, 2021.



Notary Public (Commission #11002236)
My commission expires March 10, 2023

