

ANNUAL FINANCIAL REPORT
SCHOOL DISTRICT NO. Z-6
E SCHOOL VIRTUAL CHARTER ACADEMY
OKLAHOMA COUNTY, OKLAHOMA
JULY 1, 2019 TO JUNE 30, 2020

E SCHOOL VIRTUAL CHARTER ACADEMY
SCHOOL DISTRICT NO. Z-6
OKLAHOMA, COUNTY
JUNE 30, 2020

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E SCHOOL VIRTUAL CHARTER ACADEMY
SCHOOL DISTRICT NO. Z-6
OKLAHOMA, COUNTY
JULY 1, 2019 TO JUNE 30, 2020

SCHOOL DISTRICT BOARD MEMBERS

Eddie Lynn
Danny Pickelsimer
Laverne Dowding
Mike Barcum
Richard Yurich

SUPERINTENDENT OF SCHOOL DISTRICT

Dennis Schulz

CLERK OF THE BOARD

Danny Pickelsimer

SCHOOL DISTRICT TREASURER

Dennis Schulz

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 E. 32ND
Edmond, Oklahoma 73013
(405) 348-3800
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INDEPENDENT AUDITOR'S REPORT

April 15, 2021

The Honorable Board of Education
E School Virtual Charter Academy Z-6
Oklahoma County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of E School Virtual Charter Academy Z-6, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2020, 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 financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the financial reporting requirements of the State 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 an opinion 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 of 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 their 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 adverse and qualified audit opinions.

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

As described in Note 1 to the financial statements, to meet the financial requirements of the Oklahoma State Department of Education, the financial statements are prepared by the District, on the basis of the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 determined, are presumed to be material.

Adverse Opinion of U.S. Generally Accepted Accounting Principles

In our opinion, because 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 District as of June 30, 2020, or the revenues, expenses, and changes in net position and where applicable cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the combined financial statements referred to the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the District, as of June 30, 2020, and the revenues collected and expenditures paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other supplemental information

Our audit was conducted for the purpose of forming opinions on the fund type and the account group financial statements – regulatory basis within the combined financial statements. The combining statement – regulatory basis and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statements – regulatory basis of the District. The schedule of expenditures of federal awards is presented for purposes of additional analysis as 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 also not a required part of the basic financial statements.

The combining statements – regulatory basis and other supplementary information, including the schedule of expenditures of federal awards, are the responsibility of the management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements – regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements – regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combined statements – regulatory basis and the other supplementary information, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the combined financial statements – regulatory basis taken 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 April 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and to other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 District's internal control over financial reporting and compliance.


Putnam & Company, PLLC

COMBINED FINANCIAL STATEMENTS

**E SCHOOL VIRTUAL CHARTER ACADEMY DISTRICT NO. Z-6
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES
(ALL FUND TYPES AND ACCOUNT GROUPS) - REGULATORY BASIS
JUNE 30, 2020**

	Governmental Fund Types	Totals
	General	(Memorandum Only)
<u>ASSETS</u>		
Cash and Cash Equivalents	\$179,714	179,714
 Total Assets	<u>\$179,714</u>	<u>179,714</u>
 <u>LIABILITIES</u>		
Warrants Payable	\$173,459	173,459
Reserved for Encumbrances		0
Total Liabilities	<u>173,459</u>	<u>173,459</u>
 <u>FUND EQUITY</u>		
Fund Balances:		
Unassigned	6,255	6,255
Total Fund Balance	<u>6,255</u>	<u>6,255</u>
 Total Liabilities and Fund Equity	<u>\$179,714</u>	<u>179,714</u>

The notes to the financial statements are an integral part of this statement.

**E SCHOOL VIRTUAL CHARTER ACADEMY DISTRICT NO. Z-6
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Fund Type	Totals
	General	(Memorandum Only)
REVENUES:		
Local Sources	\$132	132
State Sources	231,197	231,197
Federal Sources	19,405	19,405
	<u>250,734</u>	<u>250,734</u>
Total Revenues	<u>250,734</u>	<u>250,734</u>
EXPENDITURES:		
Instruction	137,146	137,146
Support Services	107,282	107,282
Bank Charges	51	51
	<u>244,479</u>	<u>244,479</u>
Total Expenditures	<u>244,479</u>	<u>244,479</u>
Revenues Over (Under) Expenditures	<u>6,255</u>	<u>6,255</u>
OTHER FINANCING SOURCES (USES):		
Return of Assets		0
Deobligation of Prior Year Funds		0
	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>0</u>	<u>0</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	6,255	6,255
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$6,255</u></u>	<u><u>6,255</u></u>

The notes to the financial statements are an integral part of this statement.

**E SCHOOL VIRTUAL CHARTER ACADEMY DISTRICT NO. Z-6
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - STATUTORY BASIS
BUDGET AND ACTUAL - GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund		
	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>			
Local Sources	\$0	132	132
State Sources	233,906	231,197	(2,709)
Federal Sources	22,089	19,405	(2,684)
Total Revenues Collected	255,995	250,734	(5,261)
<u>EXPENDITURES :</u>			
Instruction	146,245	137,146	9,099
Support Services	109,750	107,282	2,468
Bank Charges		51	(51)
Total Expenditures	255,995	244,479	11,516
Revenues Over (Under) Expenditures	0	6,255	6,255
<u>OTHER FINANCING SOURCES (USES):</u>			
Return of Assets			0
Deobligation of Prior Year Funds			0
Total Other Financing Sources (Uses)	0	0	0
Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	6,255	6,255
Fund Balance, Beginning of Year	0	0	0
Fund Balance, End of Year	\$0	6,255	6,255

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the E School Virtual Charter Academy District No. Z-6, Oklahoma County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

E School Virtual Charter Academy was established as an Oklahoma not-for-profit corporation on June 18, 2018. The District is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District 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.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

B. Fund Accounting and Description of Funds

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

B. Fund Accounting and Description of Funds – (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions, except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Salary Incentive Aid program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

C. Basis of Accounting and Presentation

The District 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*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

C. Basis of Accounting and Presentation – (continued)

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 and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. Under current Oklahoma Statutes, a formal 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.

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – Investments consist of direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2020 is not material to the basic financial statements.

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

All fixed assets are valued at historical cost, or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

**E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

E. Assets, Liabilities, and Fund Equity – (continued)

Depreciation and accumulated depreciation are not reported against general fixed assets.

Fund Balance – Fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses, and Expenditures

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 school districts based on information accumulated from the districts.

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 District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also 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.

Interfund Transactions – Quasi-external 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 expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSIT AND INVESTMENT RISKS

Custodial Credit Risk - The District's policy as it relates to custodial credit risk is to secure its uninsured deposits 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 debt obligations of the state, municipalities, counties, and school districts 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 District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2020, the District was not exposed to custodial credit risk as defined above.

E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. DEPOSIT AND INVESTMENT RISKS – (continued)

Investment Credit Risk – The District’s investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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 District’s investment policy limits investments to those with short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

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 District (any over 5 percent are disclosed). 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 District’s investment policy requires diversification of investments.

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

3. INTER-FUND RECEIVABLES AND PAYABLES

There were no inter-fund receivables or payables at June 30, 2020.

E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 District expects such amounts, if any, to be immaterial.

5. RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 15, 2021, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

**E SCHOOL VIRTUAL CHARTER ACADEMY DISTRICT NO. Z-6
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

	Federal CFDA Number	Project No.	Program or Award Amount	Cash/ Beginning Balance at July 1, 2019	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2020
Passed through the Oklahoma Department of Education:							
Title I	84.010	511	\$7,655.64		7,655.64	7,655.64	0.00
Sub-total Title I			<u>7,655.64</u>	<u>0.00</u>	<u>7,655.64</u>	<u>7,655.64</u>	<u>0.00</u>
IDEA-B Flow Through	84.027	621	11,718.97		11,718.97	11,718.97	0.00
IDEA-B Preschool	84.173	641	30.07		30.07	30.07	0.00
Sub-total IDEA			<u>11,749.04</u>	<u>0.00</u>	<u>11,749.04</u>	<u>11,749.04</u>	<u>0.00</u>
Total Federal Assistance			<u>\$19,404.68</u>	<u>0.00</u>	<u>19,404.68</u>	<u>19,404.68</u>	<u>0.00</u>

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the E School Virtual Charter Academy and is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

Note C: Federal expenditures reported above were chargeable to the respective Federal programs, however, in some instances, they may not be identical to amounts recorded under the specific OCAS project codes in the District's accounting records. Common reasons for those variances include: (1) timing differences, (2) differences in basis of accounting utilized, (3) mis-coding to other project codes, (4) refunds or reimbursements that offset expenditure data, (5) matching (or other local) expenditures that supplement or exceed Federal awarded amounts, and (6) approved indirect costs which are recorded under separate project codes.

Note D: The District did not receive any Federal awards that were passed through to subrecipients.

Note E: The District did not elect to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

The notes to the financial statements are an integral part of this statement.

**E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF STATUTORY, FIDELITY, AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2020**

Dennis Schulz - Superintendent
Employee Dishonesty Bond
Old Republic Surety Company Policy No. LSM1278543
\$100,000.00 Limit
Effective: From August 8, 2019 to August 8, 2020

Dennis Schulz – Treasurer
Employee Dishonesty Bond
Old Republic Surety Company Policy No. LSM1278542
\$100,000.00 Limit
Effective: From August 8, 2019 to August 8, 2020

Vicki Biggs – Encumbrance Clerk
Employee Dishonesty Bond
Old Republic Surety Company Policy No. LSM1278474
\$1,000.00 Limit
Effective: From August 8, 2019 to August 8, 2020

Vicki Biggs – Minutes Clerk
Employee Dishonesty Bond
Old Republic Surety Company Policy No. LSM1278475
\$1,000.00 Limit
Effective: From August 8, 2019 to August 8, 2020

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 E. 32ND
Edmond, Oklahoma 73013
(405) 348-3800
Fax (405) 348-3846

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*

April 15, 2021

The Honorable Board of Education
E School Virtual Charter Academy Z-6
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 and account group financial statements-regulatory basis of E School Virtual Charter Academy Z-6, Oklahoma County, Oklahoma as listed in the Table of Contents, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated April 15, 2021, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in United States 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. However, our report was qualified for the omission of general fixed asset account groups with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.


Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Putnam & Company
Putnam & Company, PLLC

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

Schedule of Accountants' Professional Liability Insurance Affidavit For the Year Ending June 30, 2020



MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC
Certified Public Accountants
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
fax (405) 348-3846

April 15, 2021

The Honorable Board of Education
E School Virtual Charter Academy Z-6
Oklahoma County, Oklahoma

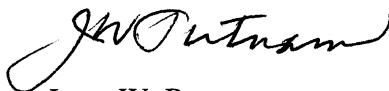
We have audited financial statements of E School Virtual Charter Academy Z-6, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2020, as listed in the table of contents, and have issued our report thereon dated April 15, 2021. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 15, 2021 on the financial statements of E School Virtual Charter Academy Z-6.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your co.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

**E SCHOOL VIRTUAL CHARTER ACADEMY Z-6
OKLAHOMA COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS:

Fiscal year 2019-2020 represents the beginning of operations for the E School Virtual Charter Academy. This report is the initial audit of the District; so there were no prior year's comments or recommendations to be considered or resolved.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS:

REVIEW OF PURCHASE ORDERS AND PAYMENTS

Our review of the purchase orders indicated that the current year's purchase orders were properly approved and supported with adequate documentation.

DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.