



Carlton Landing Academy

District No. E-020

Independent Auditor's Reports and Financial Statements

June 30, 2017



Carlton Landing Academy

District No. E-020

June 30, 2017

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Carlton Landing Academy

District No. E-020

School District Officials

June 30, 2017

Board of Education

Kirk Humphreys	Chairman
Mike Kirk	Vice Chair
Dr. Jan Summers	Secretary
Katie Chapman	Member
Dr. Susan Kimmel	Member
Kyleigh Tolman	Member
Carey Hinchey	Member

Administration

Darren White	Superintendent
Tamra Bray	Encumbrance Clerk
Darrel Johnston	Treasurer



Independent Auditor's Report

Board of Education
Carlton Landing Academy, District No. E-020
Carlton Landing, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type financial statements – regulatory basis of the Carlton Landing Academy, District No. E-020, Carlton Landing, Oklahoma (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in *Note 1*; this includes determining that the prescribed 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 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 described in *Note 1*, the Academy has prepared these financial statements in conformity with the accounting and 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, to meet the requirements prescribed or permitted by 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 Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly the financial position of each fund type of the Academy as of June 30, 2017, or the results of their operations for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly in all material respects, the assets, liabilities and fund balance arising from regulatory basis transactions of the governmental fund types of the Academy as of June 30, 2017, and the revenues collected, expenditures paid and budgetary results for the year then ended on the regulatory basis of accounting described in *Note 1*.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of statutory, fidelity and honesty bonds is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is

fairly stated in all material respects in relation to the financial statements as a whole on the regulatory basis of accounting described in *Note 1*.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of accountants' professional liability insurance affidavit is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Academy's internal control over financial reporting and compliance.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC
Tulsa, Oklahoma
February 23, 2018

Carlton Landing Academy

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**Statement of Assets, Liabilities and Fund Balances – Regulatory Basis
– All Fund Types**

June 30, 2017

	<u>General Fund</u>	<u>Gift Fund</u>
Assets		
Cash and cash equivalents	\$ 60,769	\$ -
Total assets	<u>60,769</u>	<u>-</u>
Liabilities and Fund Balance		
Liabilities		
Warrants payable	25,847	-
Encumbrances payable	9,800	-
Total liabilities	<u>35,647</u>	<u>-</u>
Fund balance	<u>\$ 25,122</u>	<u>\$ -</u>

See Footnotes to the Financial Statements

Carlton Landing Academy

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**Statement of Revenues Collected, Expenditures Paid and Changes
In Fund Balance – Regulatory Basis – All Governmental Fund Types**

Year Ended June 30, 2017

	<u>General Fund</u>	<u>Gift Fund</u>	<u>Total</u>
Revenues Collected			
Intergovernmental - Oklahoma State Department of Education	\$ 246,787	\$ -	\$ 246,787
Contributions from the Carlton Landing Community Foundation, Inc.	88,000	-	88,000
Other donations	<u>3,222</u>	<u>11,367</u>	<u>14,589</u>
Total revenues collected	<u>338,009</u>	<u>11,367</u>	<u>349,376</u>
Expenditures Paid			
Instruction	216,351	5,556	221,907
Support services	94,321	5,811	100,132
Noninstruction services	<u>2,215</u>	<u>-</u>	<u>2,215</u>
	<u>312,887</u>	<u>11,367</u>	<u>324,254</u>
Excess (Deficiency) of Revenues Collected over Expenditures Paid	25,122	-	25,122
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 25,122</u>	<u>\$ -</u>	<u>\$ 25,122</u>

See Footnotes to the Financial Statements

Carlton Landing Academy

District No. E-020

**Statement of Revenues Collected, Expenditures Paid and Changes
In Fund Balance – Regulatory Basis – Budget to Actual –
Budgeted Governmental Fund Types**

Year Ended June 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
Revenues Collected			
Intergovernmental - Oklahoma State Department of Education	\$ 219,205	\$ 249,981	\$ 246,787
Contributions from the Carlton Landing Community Foundation, Inc.	88,000	88,000	88,000
Other donations	23,000	23,000	3,222
Total revenues collected	<u>330,205</u>	<u>360,981</u>	<u>338,009</u>
Expenditures Paid			
Instruction	330,205	360,981	216,351
Support services	-	-	94,321
Noninstruction services	-	-	2,215
	<u>330,205</u>	<u>360,981</u>	<u>312,887</u>
Excess (Deficiency) of Revenues Collected over Expenditures Paid	-	-	25,122
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,122</u>

See Footnotes to the Financial Statements

Carlton Landing Academy

District No. E-020

Footnotes to the Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The basic financial statements of the Carlton Landing Academy, District No. E-020, Carlton Landing, Oklahoma (the "Academy") have been prepared in conformity with the basis of accounting as prescribed by the Oklahoma State Department of Education (OSDE). The more significant accounting policies of the Academy are described below.

Reporting Entity

The Academy is a charter school for children pre-kindergarten through twelfth grade created April 4, 2016 under Title 70 of the Oklahoma Statutes and is financially dependent on the State of Oklahoma's support. The year ended June 30, 2017 was the first year of operation.

The governing body of the Academy is the Board of Education, which is composed of appointed members. The appointed superintendent is the executive officer of the Academy.

In evaluating how to define the Academy 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 Academy and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Academy 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 Academy is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the Academy's reporting entity.

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Fund Accounting and Description of Fund

The Academy uses fund accounting 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.

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. The Academy does not maintain any account group types.

The fund maintained by the Academy is a governmental fund.

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. However, for the fiscal year ended June 30, 2017, the Academy only maintained the general fund. Major revenue sources include monies from the OSDE as a result of the charter school recognition by the OSDE, and contributions from the Carlton Landing Community Foundation, Inc. Expenditures include all costs associated with the daily operations of the Academy.

Basis of Accounting and Presentation

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 Statement No. 34.

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

- Encumbrances represented by purchase orders, contracts and other commitments for the expenditures of monies are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.

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- 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.

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, 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.

Budgets and Budgetary Accounting

The Academy is required by state law to prepare an annual budget. The Board of Education must hold a public hearing within 45 days preceding the beginning of the budget year.

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.

Encumbrances Payable

Encumbrances represent commitments related to purchase orders, contracts and other commitments for expenditures of resources and goods or services received by the Academy for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year-end in accordance with the OSDE regulatory basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2017 was comprised entirely by demand deposits at the Bank of Oklahoma and were full insured.

Fund Balance

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

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Revenues and Expenditures

Contributions from the Carlton Landing Foundation – Nonfederal revenues received from the Carlton Landing Foundation for current operations

Intergovernmental Revenues – Revenues received from the OSDE for current operations, which are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The OSDE 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 OSDE 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 in the year the adjustment is made

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; 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, etc.) who assist in the instructional process

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

Non-instruction Services Expenditures – Activities concerned with providing non-instruction services to students and staff, such as indirect cost charges and allocated space costs

Use of Estimates

The preparation of financial statements in conformity with accounting and financial reporting regulations prescribed or permitted by the OSDE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

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Note 2: Oklahoma Cost Accounting System Reporting

All revenues and expenditures were included in the Oklahoma Cost Accounting System (OCAS), which are presented in the accompanying statement of revenues collected, expenditures paid and changes in fund balance – regulatory basis – all governmental fund types (the Statement) for the year ended June 30, 2017.

Note 3: Related Party

On July 1, 2016, the Academy entered into a lease agreement with the Carlton Landing Community Foundation, Inc., a not-for-profit corporation (the “Foundation”), for two buildings to be used as a public charter school for a rent payment of \$1 per year. As part of the agreement, the Academy also agreed to reimburse the Foundation for 80% of the operating expenses during the lease term to include, but not limited to, utility, maintenance, property insurance, and property tax expenses. The lease term was for one year and is renewable annually.

During the fiscal year ended June 30, 2017, the Academy received \$88,000 in contributions from the Foundation and made payments to the Foundation of \$22,646 related to the agreement discussed above.

Note 4: Employee Benefits

Each employee signs a contract with the Academy which outlines his or her benefits. During the fiscal year ended June 30, 2017, employees did not participate in a retirement plan but were entitled to up to five paid sick days and three paid personal days which do not accrue or carry over to the next year. Medical and Dental insurance is provided through the Oklahoma State Employees Group Insurance Division at no cost to the employee.

Note 5: Risk Management

The Academy has contracted with various insurance programs to manage certain exposures from general liability, professional liability (wrongful acts), abuse or molestation, property, and workers compensation.

Note 6: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued.

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Supplemental Information

Carlton Landing Academy

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Schedule of Insurance

Evanston Insurance Company

Policy # 2AA109740

Policy Period: September 6, 2016 through September 6, 2017

Coverages:

Property – Business Personal Property Only – Policy Limit \$26,930

General Liability – Policy Limit - \$1,000,000

Includes:

Miscellaneous Professional Liability – Policy Limit \$1,000,000

Abuse or Molestation – Policy Limit \$25,000 each claim/\$50,000 aggregate

Oklahoma School Assurance Group

Policy # 03133639 16 1

Policy Period: August 8, 2016 through July 1, 2017

Coverages:

Workers' Compensation Insurance – Employer's Liability – Policy Limit \$500,000



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Carlton Landing Academy, District No. E-020
Carlton Landing, 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 fund type financial statements – regulatory basis of the Carlton Landing Academy, District No. E-020, Carlton Landing, Oklahoma (the Academy) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated February 23, 2018, which expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education (regulatory basis) and expressed an unmodified opinion on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Academy's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 Academy'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Academy's management in a separate letter dated February 23, 2018.

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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC
Tulsa, Oklahoma
February 23, 2018

Carlton Landing Academy

District No. E-020

Schedule of Accountants' Professional Liability Insurance Affidavit

Year Ended June 30, 2017

STATE OF OKLAHOMA

County of Tulsa

The representative of the undersigned auditing firm of lawful age, being first duly sworn on oath, says that 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 Carlton Landing Academy, District E020, for the audit year 2016-2017.

Elfrink & Associates, PLLC

Elfrink and Associates, PLLC

By Anne Elfrink, Owner

Subscribed and sworn to before me on this 20th day of February, 2018

My commission expires on 09 day of October, 2018

Paige Widener

Notary Public

