

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

**TULSA LEGACY CHARTER SCHOOL DISTRICT NO. E-006
TULSA COUNTY, OKLAHOMA**

JUNE 30, 2020

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

TULSA LEGACY CHARTER SCHOOL, TULSA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

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TULSA LEGACY CHARTER SCHOOL, TULSA COUNTY
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Tulsa Legacy Charter School No. E-006
Tulsa, Tulsa County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Tulsa Legacy Charter School No. E-006, Tulsa, Tulsa 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 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 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 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 comply with 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 reasonable determined, are presumed to be material.

Adverse Opinion on 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, the changes in its financial position, or, where applicable, its cash flows 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 by the Oklahoma State Department of Education. 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 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 and account group of the School, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s basic financial statements. The combining statements – regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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 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 School’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 12, 2021



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**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
Tulsa Legacy Charter School District Number E-006
Tulsa, Tulsa 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 within the combined financial statements of the Tulsa Legacy Charter School District Number E-006, Tulsa, Tulsa County, Oklahoma (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2021, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the 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 the general fixed asset account group 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 of the financial statements, 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit results, that we consider to be significant deficiencies in internal controls over financial reporting, as item 2020-1, 2020-2 and 2020-3.

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, non-compliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of audit results as item 2020-1, 2020-2 and 2020-3. We also noted certain immaterial instances of non-compliance which are described in the accompanying management letter.

District's Response to Findings

The District's response to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit on the financial statements and accordingly, we express no opinion on it.

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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 12, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

The Honorable Board of Education
Tulsa Legacy Charter School District Number E-006
Tulsa, Tulsa County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Tulsa Legacy Charter School District Number E-006, Tulsa, Tulsa County, Oklahoma (District)'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 12, 2021

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2020

There were no prior year significant deficiencies.

TULSA LEGACY CHARTER SCHOOL DISTRICT NO.E-006, TULSA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section 1 – Summary of Auditor’s Results:

1. An adverse opinion was issued on the combined financial statements in conformity with generally accepted accounting principles, and a qualified opinion was issued for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. The audit did not identify any material weaknesses and reported three significant deficiencies, items 2020-1, 2020-2, 2020-3, not considered to be a material weakness, in the internal controls over financial reporting.
3. The audit disclosed instance of noncompliance, items 2020-1, 2020-2, 2020-3, which were not considered to be material to the financial statements.
4. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over major programs.
5. An unmodified report was issued on the compliance for major programs in conformity with the regulatory basis of accounting.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance, 2 CFR 200.516(a).
7. Programs determined to be major are the Child Nutrition Programs (10.553, 10.555, 10.559), which are clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The district was determined not to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

FINDING 2020-1 – Contracted Consulting Expenditure

Condition: We observed during the audit that a contracted individual, for consulting, was paid from a purchase order (General fund #2) through the accounts payable system in the amount of \$31,102.47, was also paid a lump sum of \$29,750 through the District’s payroll system. The District provided a ‘Services & Pricing’ sheet that agreed with

payment made through payroll, but not for the entire amount that was paid to the individual for consulting. Also, 4 invoices on purchase order number 2 were not presented for audit, and documentation for the reimbursement of travel, lodging and meal expenses, for the consultant, was not presented for 2 of the payments.

Criteria: District should process payment for all contracted consulting services through accounts payable, on a purchase order, with the procedures as outlined in Oklahoma Statute, Title 70 § 5-135, and not through payroll.

Cause/Effect: Procedures/internal controls were not properly functioning to ensure that a consulting contract with a specified amount, was obtained, approved by the board and subsequently paid the correct amount and was not processed through payroll. Not having these procedures/controls in place, and functioning, increases the risk that a misappropriation of assets will occur, whether due to error or fraud, and not be detected in a timely manner.

Recommendation: We recommend that the District review its policies and procedures which would require the District obtain a written contract, detailing the services and amount to be paid, and that the payment for such services be processed through the accounts payable system with a purchase order.

Response: See attached response.

FINDING 2020-2 – Purchase Orders

Condition: During the review of the appropriated fund expenditures, we made the following observations:

- Purchase orders were not always encumbered against available appropriations prior to the obligations being incurred.
- Not all invoices were signed as received.
- All of the supporting documentation was not provided for blanket purchase orders
- Several credit card expenditures only had statement attached for support
- Credit card expenditures for travel, did not state the purpose of the trip nor who was attending

Criteria: Oklahoma Statute Title 70 § 5-135, *System for Initiating, Recording, and Paying Contractual Obligations* should be followed when the District processes any expenditures under the control of the Board of Education.

Cause / Effect: Procedures/controls were not properly functioning over accounts payable function for the General fund purchases in the areas mentioned above. Not having these procedures in place, and functioning, increases the risk that a misappropriation of assets will occur and not be detected in a timely manner, whether due to error or fraud.

Recommendation: We recommend that the District enforce its policies and procedures which require that purchase orders be encumbered prior to the obligation being incurred, all invoices be signed as received, all supporting documentation be attached/filed with the purchase order and that original itemized receipts be obtained as support for all credit card purchases and that all credit card expenditures involving travel indicate the purpose of the trip and all who is attending, as required by Oklahoma Statutes.

Response: See attached response.

FINDING 2020-3 – Activity Funds

Condition: When testing the transactions of the activity fund we made the following observations:

- Activity fund ledger included an account titled ‘unknown’ which also had a negative balance at the end of the fiscal year of (\$4,088.15). An amended ledger was provided after final audit work and is presented in the audit.
- Not all the receipts in the receipt books were dated, therefore could not determine the fiscal year, and if the receipts were deposited in a timely manner
- Not all the invoices were signed as received
- Expenditures for meals did not state a purpose not include a list of attendees
- Did not observe any type of approval form for expenditures

Criteria: Oklahoma Statute Title 70 § 5-129, *School Activity Fund* should be followed when the District processes all transactions concerning the activity fund which are under the control of the Board of Education.

Cause / Effect: Procedures/controls were not properly functioning over the activity fund transactions in the areas mentioned above. Not having these procedures in place, and functioning, increases the risk that a misappropriation of assets will occur and not be detected in a timely manner, whether due to error or fraud.

Recommendation: We recommend that the District enforce its policies and procedures which require that the board approve all activity fund sub-accounts, no sub-account should have a negative balance, receipts should be properly completed for all revenue and deposited in a timely manner (daily), all invoices should be signed a received, expenditures for meals and travel should state a purpose and include a list of attendees, and also recommend that some type of approval form be used prior to the obligation being incurred, as required by Oklahoma Statutes.

Response: See attached response.

Section 3 – Findings and Questioned Costs for Federal Awards:

NONE



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Tulsa Legacy Charter School Audit Findings Response

Finding 2020-1- Contracted Consulting Expenditure

Tulsa Legacy Charter School will require a written contract with vendors in order to clearly state the services provided and will adopt policy to renegotiate contracts for any vendors that become employees. All consultants will be paid through accounts payable if they are not Tulsa Legacy Charter School employees.

Finding 2020-2-Purchase Orders

Tulsa Legacy Charter School will focus our efforts on setting up encumbrances before reaching out to vendors to order goods and services and gather all the supporting documentation to support the payments. Payments will be made after these goods and services have been verified as received.



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Finding 2020-3 Activity Funds

Tulsa Legacy Charter School will focus our efforts on collecting more complete information for the activity fund to support the transactions and assign them to their proper subaccounts.

COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2020

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL</u>
	<u>GENERAL</u>	<u>EXPENDABLE TRUST & AGENCY FUND</u>	
Cash	\$ 2,297,669	897,980	3,195,649
 <u>LIABILITIES AND FUND BALANCE</u> 			
Liabilities:			
Warrants payable	\$ 396,451		396,451
Encumbrances	764,073	150,000	914,073
Funds held for school organizations		38,627	38,627
Total liabilities	<u>1,160,524</u>	<u>188,627</u>	<u>1,349,151</u>
Fund Balance:			
Restricted		709,353	709,353
Unassigned	1,137,145		1,137,145
	<u>1,137,145</u>	<u>709,353</u>	<u>1,846,498</u>
Total Liabilities and Fund Balance	<u>\$ 2,297,669</u>	<u>897,980</u>	<u>3,195,649</u>

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

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN CASH FUND BALANCES
 REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2020

	GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPES
	GENERAL	EXPENDABLE TRUST
Revenues:		
Local sources	\$ 52,984	709,353
State source	3,967,132	
Federal sources	799,931	
Interest	13,359	
Non-revenue receipts	533	150,000
Total revenues	4,833,939	859,353
Expenditures:		
Instruction	3,108,094	
Support services	1,425,962	
Operation of non-instructional services	423,213	
Other outlays:		
Correcting entry	2,898	150,000
Total expenditures	4,960,167	150,000
Revenues over (under) expenditures	(126,228)	709,353
Other financing sources (uses):		
Adjustments to prior year encumbrances	15,384	0
Revenue and other sources over (under) expenditures and other uses	(110,844)	709,353
Cash fund balance, beginning of year	1,247,989	0
Cash fund balance, end of year	\$ 1,137,145	709,353

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1208 7104*

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

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - BUDGETED GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND		
	FINAL BUDGET	ACTUAL	VARIANCE
Revenues:			
Local sources	\$ 1,006,000	52,984	(953,016)
State sources	3,657,443	3,967,132	309,689
Federal sources	688,568	799,931	111,363
Interest		13,359	13,359
Non-revenue receipts	655,000	655,533	533
Total revenues	6,007,011	5,488,939	(518,072)
Expenditures:			
Instruction	4,549,000	3,108,094	1,440,906
Support services	1,575,000	1,425,962	149,038
Operation of non-instructional services	456,000	423,213	32,787
Other outlays:			
Correcting entry	675,000	657,898	17,102
Total expenditures	7,255,000	5,615,167	1,639,833
Revenues over (under) expenditures	(1,247,989)	(126,228)	1,121,761
Other financing sources (uses):			
Adjustments to prior year encumbrances	0	15,384	15,384
Revenue and other sources over (under) expenditures and other uses	(1,247,989)	(110,844)	1,137,145
Cash fund balance, beginning of year	1,247,989	1,247,989	0
Cash fund balance, end of year	\$ 0	1,137,145	1,137,145

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

NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Tulsa Legacy Charter School, District No. E-006 (the “District”), have been prepared in conformity with another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education as authorized by Oklahoma Statutes. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with the accounting principles generally accepted in the United States of America. The District’s accounting policies are described in the following notes that are an integral part of the District’s financial statements.

A. Reporting Entity

Tulsa Legacy Charter School, an Oklahoma not-for-profit described in the Internal Revenue Code Section 501(c)3, was formed for the benefit of a school to be called Tulsa Legacy Charter School. Currently, no other activity is conducted by the entity. The District was formed under the provisions of the Oklahoma Charter Schools Act (Oklahoma Statutes 70-3-130) through a contract with Tulsa Public Schools. Tulsa Legacy Charter School, is entitled to receive its pro rata share of revenue generated by the District’s enrollment as calculated by the State Department of Education, minus a 3% administrative fee retained by the Tulsa Public School District. The governing body of the District is the board of directors of Tulsa Legacy Charter School.

Although Tulsa Legacy Charter School is a not-for-profit entity that would normally follow the presentation requirements of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) No. 958-205, the District is considered a quasi-governmental entity subject to the reporting requirements of the Oklahoma State Department of Education. Therefore, Tulsa Legacy Charter 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 the State of Oklahoma’s 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.

The mission of Tulsa Legacy Charter School is to educate children in a culture of excellence by providing a rigorous, arts-infused curriculum that prepares students for college and the world beyond. Students at Tulsa Legacy Charter School will acquire the knowledge, skills and values necessary to succeed in higher education and beyond. Our students will achieve the highest level of academic success, be responsible citizens and view learning as a life-long journey. Our collective efforts will fundamentally change public education.

TULSA LEGACY CHARTER SCHOOL NO. E-006 , TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

A. Reporting Entity – cont'd

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

B. Measurement Focus

The School 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 School 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.

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).

TULSA LEGACY CHARTER SCHOOL NO. E-006 , TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

B. Measurement Focus – cont’d

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 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.

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The School did not maintain any special revenue funds in 2019-20.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The School operates their child nutrition program within the general fund.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the School. The terms “non-expendable” and “expendable” refer to whether or not the School is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the School holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds typically include the gifts and endowments fund. The School maintained an expendable trust fund during the 2019-20 fiscal year.

Endowments Fund – The endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the School.

Agency Fund – The agency fund is the school activities fund which is used to account for monies collected principally through the fundraising efforts of students and School-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – cont'd

B. Measurement Focus – cont'd

Account Groups

An account group is not a fund and consists of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

Memorandum Only - Total Column

The total column on the combined financial statements – regulatory basis is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. 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.
- Inventories of 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 basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation – cont'd

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.

Basis of accounting refers to when revenues and expenditures 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 basis of accounting. Revenues are recognized when they are received rather than earned and expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from accounting principles generally accepted in the United States.

D. Budgets and Budgetary Accounting

The School 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 School must hold an election on the first 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 School must adopt a budget within the approved tax rate. Because a majority of votes approved a permanent levy in 2001, an election is no longer held.

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education.

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. Unencumbered appropriations lapse at the end of each fiscal year. While the Debt Service Fund is a governmental fund, a comparison of budget to actual schedule is presented in the financial statements, although the board can exercise no control of the revenue sources for this fund (except interest earnings), and no control over its expenditures.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity

Cash and cash equivalents – The School considers all cash on hand, demand deposit accounts, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The School considers investments of direct obligations of the United States government and agencies, certificates of deposits, savings accounts or savings certificates with maturities of greater than three months. 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 combined financial statements.

Fixed Assets and Property, Plant and Equipment – The School has not maintained a record of general fixed assets, and, accordingly, a General Fixed Assets Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Department of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the School. The School recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the School's treasurer.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the School 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 regulatory basis of accounting. While the regulatory basis that is used for the Debt Service Fund approximates full accrual accounting, the accruals recorded are reported to meet regulatory requirements, as opposed to the requirements of generally accepted accounting principles.

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. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources had not been reported as an expenditure of the governmental fund that will pay it since the financial statements have been prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Equity – cont'd

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the School, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Fund Balance – 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 notes receivable, 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).

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

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents 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.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

E. Assets, Liabilities and Fund Equity – cont’d

Assigned fund balance represents 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 is the residual classification for the general fund. It represents the 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.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the School and available to the School for its use. The School is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the School. These property taxes are distributed to the School’s general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the School and the state, and distributed to Schools in amounts that differ in proportion to those which are collected within such systems.

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.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

The State Board of Education administers the allocation of state aid funds to school Schools based on information accumulated from the Schools.

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 from or additions to the 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 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.

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 passthrough 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. The majority of the federal revenues received by the School are apportioned to the general fund.

Non-Monetary Transactions – The School receives commodities form the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been included in the financial statements as either revenue or expense since they are not reported under the regulatory basis of accounting.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the School, but the return of assets.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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 cocurricular 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.

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.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists 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.

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).

Other Uses Expenditures – This includes 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.

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.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d

F. Revenue and Expenditures – cont’d

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 expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no interfund transfers made during the 2019-20 fiscal year.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to the School. The School’s cash deposits and investments at June 30, 2020, were \$1,195,649, at financial institutions, and were completely insured or collateralized by federal depository insurance, direct obligations of the U.S. Government, or securities held by the School or by its agent in the School’s name.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investment Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The School does not have a formal policy limiting its investment choices, other than the limitation of state law as follows:

- Direct obligations of the U.S. Government, its agencies and instrument 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.
- 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.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

2. CASH AND INVESTMENTS – cont'd

- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- County, municipal or school School tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school School.
- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous bullet items.

Concentration of Investment Credit Risk – The School places no limit on the amount it may invest in any one issuer.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2020.

4. GENERAL LONG-TERM DEBT

As of June 30, 2020, the School had no outstanding debt.

5. RETIREMENT PLAN

The School has chosen not to participate in the Oklahoma Teachers Retirement System.

The District sponsors a 403(b) retirement savings plan in which all employees of the District are eligible to participate. Internal Revenue Code Section 403(b) annuity contracts are a “private” retirement vehicle available to public school district employees. The annuity contracts and are separate from the Oklahoma Teachers’ Retirement System. Annuity contracts and 403(b) contributions are tax deferred and are funded through elective pre-income tax deductions up to limits set by federal law. The plan provides for withdrawals only upon attainment of age 59½, severance from employment, total and permanent disability, death, a “qualified reservist” distribution, or financial hardship as defined by the plan. The District has contracted a third party administrator to provide administrative services. Under the plan, the employer will match contributions dollar for dollar, not to exceed 3% of compensation. Total contributions for the 2019-20 fiscal year were \$54,925.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

6. 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 risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. CONTINGENCIES

Federal Grants

Amounts received or receivable from grant 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 amounts, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the School during the 2019-20 fiscal year. The revised Uniform Guidance Audits of States, Local Governments and Non-Profit Organizations, established uniform audit requirements for nonfederal entities which expended more than \$750,000 in federal awards.

Litigation

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the School.

8. GENERAL LONG-TERM DEBT

In April, 2020 the District executed a promissory note for \$655,000 under the Paycheck Protection Program (PPP) authorized by the Coronavirus Aid Relief, and Economic Security Act (CARES Act). The loan bears an interest rate of 1.00%. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if certain employment levels are maintained during a specified period of time. If the Small Business Administration (SBA) confirms full forgiveness of the unpaid balance of the note, the District's obligation under the arrangement will be deemed fully satisfied.

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

8. GENERAL LONG-TERM DEBT – cont'd

The District remains obligated to repay the lender any amount not forgiven, which will mature on the 2nd anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from the SBA. If the District does not apply for forgiveness within 10 months after the last day of the covered period, as applicable, it would be required to make payments on the PPP loan beginning 10 months after the last day of such covered period. At such time, the bank will establish the amount of monthly payments due based on the remaining time until maturity.

As of June 30, 2020, the proceeds from the PPP loan are shown as non-revenue receipts on the Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances and a liability encumbrance on the Statement of Assets, Liabilities and Fund Balance. Should the PPP loan be forgiven, the proceeds will be recognized in the year of forgiveness and the liability will be removed from the financial statements.

The District also executed a subordinated loan agreement in the amount of \$150,000, with Charter Fund, Inc. for the purpose of providing support specifically as it relates to COVID-19 response activities to support distance or remote learning including, but not limited to, the purchase of technology, internet connectivity, technology support and printers. The District is expecting the loan to be forgiven similar to the PPP loan, therefore this transaction is accounted for in the same manner as the PPP loan.

COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

	BALANCE 7-01-19	ADDITIONS	NET TRANSFERS	DEDUCTIONS	BALANCE 6-30-20
<u>ASSETS</u>					
Cash	\$ 34,867	20,422	0	16,662	38,627
<u>LIABILITIES</u>					
Field trips	\$ 47	658		0	705
Band and auxiliaries	815	0		0	815
Basketball	462	0		0	462
Cheerleading	5	3,720		1,050	2,675
Staff engagement	1,863	815		1,283	1,395
Family engagement	52	7,502		3,523	4,031
Student engagement	4,435	5,890		9,768	557
Yearbook	1,292	25		0	1,317
PA creative expression	258	693		30	921
PA pk	135	0		0	135
PA first	100	0		0	100
PA second	100	0		0	100
PA third	110	0		0	110
PA student celebrations	1,286	30		0	1,316
UA debate	100	0		0	100
UA student council	100	0		0	100
UA 8th grade	1,334	404		0	1,738
UA 7th grade	50	0		0	50
UA 6th grade	50	0		0	50
UA 5th grade	50	0		0	50
UA 4th grade	100	0		0	100
UA student celebrations	646	685		470	861
End of year field trip	21,477	0		538	20,939
Total Liabilities	34,867	20,422	0	16,662	38,627

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS**

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Balance at 7/01/2019	Revenue Collected	Total Expenditures	Balance at 6/30/2020
U.S. Department of Education							
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010	511	\$ 374,397		262,589	294,156	31,567
Special Education, Flowthrough, P.L. 105-17	84.027	621	123,747		105,748	123,747	17,999
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173	641	2,448		2,448	2,448	
Special Education, Professional Development	84.027	615	2,004		0	1,755	1,755
Cares Act	84.425	788	197,919		0	0	
Covid Assistance	84.425	617	5,888		0	0	
Subtotal			706,403	-	370,785	422,106	51,321
U.S. Department of Agriculture:							
<u>Passed Through State Department of Education:</u>							
*Child Nutrition Cluster:							
Cash Assistance:							
National School Lunch Program	10.555	763			267,503	267,503	
School Breakfast Program	10.553	764			145,967	145,967	
Farm Bill Equipment	10.555	791			7,469	7,469	
Cash Assistance Subtotal					420,939	420,939	
Non-Cash Assistance (Commodities) Note 3:							
National School Lunch Program	10.555	n/a			21,634	21,634	
Subtotal - Child Nutrition Program (Cluster)					442,573	442,573	
Other Federal Assistance:							
Medicaid	93.778		8,206		8,206	0	
Subtotal			8,206	0	8,206	0	
Total Federal Assistance			\$ 714,609	0	821,564	864,679	51,321

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

Note 1 - Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal activity of the District for the year ended June 30, 2020. This information 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 2 - Summary of Significant Accounting Policies - Expenditures reported on this schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements except as noted in Note 3. 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.

Note 3 - Non-Monetary Assistance - Commodities received by the District in the amount of \$21,634 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements

* Major programs

TULSA LEGACY CHARTER SCHOOL No. E-006, TULSA COUNTY
 STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
 FOR THE YEAR ENDED JUNE 30, 2020

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
RLI Insurance Co	Encumbrance/Minutes Clerk/ Activity Fund	LSM0641415	\$ 1,000	08/18/19 - 08/18/20
CNA Surety	Treasurer	63168955	100,000	06/30/19 - 06/30/20
Liberty Mutual	Superintendent	404228055	100,000	02/27/19 - 02/27/21

TULSA LEGACY CHARTER SCHOOL NO. E-006, TULSA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2019 TO JUNE 30, 2020

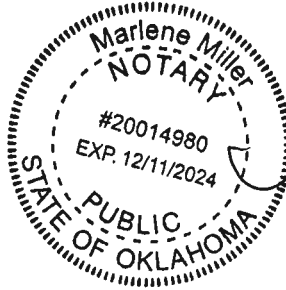
State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, 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 Tulsa Legacy Charter School for the audit year 2019-20.

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP
Auditing Firm

By Jeffrey D. Howard
Authorized Agent

Subscribed and sworn to before me
This 12th day March, 2021



Marlene Miller
Notary Public (or Clerk or Judge)

My Commission Expires: 3/11/2023
Commission No. 19002530



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-8991 • (800) 522-3831 • FAX (918) 449-9779

March 12, 2021

Ms. Kiana Smith, Exec. Director
Tulsa Legacy Charter School
105 East 63rd Street North
Tulsa, Oklahoma 74126

Dear Ms. Smith:

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Board Meeting Minutes

During a review of the minutes of the board meetings, we made the following observations:

- Encumbrances numbers for approval (i.e. General fund PO's #32-57) were not listed on the agenda nor in the minutes.
- Executive session was held in the September 19, 2019, meeting, however, it was not listed on the agenda citing the statutory reference, and there was no vote recorded to enter or return to open session.
- Finance report in not approved each month
- Activity fund sub-accounts and fund raisers were not approved in the minutes.
- Did not observed any hirings/resignations throughout the year, nor was it observed where the certified and support personnel were rehired by the board.
- Agenda does not state where and when it was posted
- Did not observe a list of regularly scheduled meeting dates for 2019 and 2020 that was submitted to the County Clerk.
- Did not observe notification of special meeting to County Clerk

- Observed in the May 2020 meeting that items were voted on that were not on the agenda
- Did not observe that stipends were approved by the board.
- Minutes after June 30, 2020, were not presented for review.

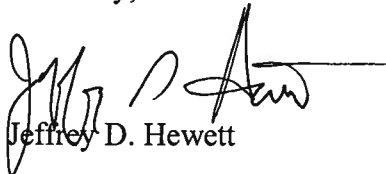
We recommend that management review the requirements of the Open Meeting Act, and that procedures be implemented to correct these areas.

Child Nutrition Program

We observed during the audit that free and reduced applications were not being signed by the determining official, nor was the determination put on the application when determination was made, which is when the information was entered into child nutrition software. Also was informed by management that no collections are made from the students. Student who are classified as pay accumulate a balance which is forgiven at year end, but we did not observe a policy that would be consistent with this practice. We recommend that the determination be placed on all applications and that the determining official also sign each application. We also recommend that the District approve a policy that would correspond to how the District is operating and/or the District look into Community Eligibility, Provision 1,2 and 3, or the non-pricing options.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,



Jeffrey D. Hewett

For

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP