

**QUARTERLY REPORT ON PROBATIONARY ACCREDITATION STATUS:
SOVEREIGN COMMUNITY SCHOOL (SCS)
October 21, 2021**

The purpose of this report is to provide the Oklahoma State Board of Education (“State Board”) with an overview of Sovereign Community School’s (“SCS”) academic performance and its progress towards meeting Accreditation Probationary terms set forth in November 2020.

In preparation of this report, members of SDE Legal Services (Brad Clark and Rebecca Budd) met in-person with Dr. Dusty Delso (SCS Superintendent) and Stacie Thrasher (Director of Operations) on September 24, 2021. Additionally, a draft of this report was provided to SCS for additional input.

APPENDIX A provides the complete list of terms. To summarize, SCS is required to

- Have a financial management plan that includes repayment schedules for outstanding obligations and submit monthly financial reports and documentation to SDE (Brad Clark)
- Conduct an independent governance audit, add members as needed, and meet with sufficient frequency to address on-going challenges
- Complete its founding year audit (FY20)
- Comply with law, applicable rules, regulations, and policies
- Submit accurate and timely reports, applications, and data to various SDE functional areas such as School Personnel Records, State Aid, OCAS, Special Education, Federal Programs, etc.
- Submit board and committee meeting agendas, materials corresponding to agenda items, and minutes prior to each board meeting to the Oklahoma State Department of Education (Brad Clark)

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ACADEMIC PERFORMANCE

SCS State Test Scores (Spring 2021)

SCS had a high participation rate (95% of expected) for state testing in FY21. Its scores, however, placed Sovereign's results among the very lowest (bottom 5%) of all middle schools in the state. The Oklahoma Charter School Act states that any charter school that is ranked in the bottom 5% of all schools for state testing for three years in a row is eligible for closure.

Because of the small number of SCS high school students, federal privacy laws prevent the disclosure of those results.

For students in grades 5-8, the results are as follows:

- For English Language Arts, 7% students tested were proficient (56 students tested)
- For Math, 2% tested were proficient (55 students tested)
 - No students in 5th, 6th, or 8th grade tested proficient
- For Science, 11% tested were proficient
 - Only 19 students were tested

SDE offered SCS the opportunity to provide its FY21 NWEA MAP Growth reports to the State Board. SCS has previously shared results from the FY20 school year which showed positive results. SCS has opted not to share at this time because the results are mixed. Some students, specifically several who began SCS in FY20, showed impressive growth. But the 60+ students new to SCS did not test well and their results brought down district scores.

Another likely contributing factor was the lack of full day, in-person instruction at SCS in FY2021. Staff was available three days a week on-campus as resources. Students were encouraged but not required to come to campus. On the three open days per week, students could meet with teachers, access other academic supports, get technology assistance, and pick up resources such as school supplies and donated food.

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FINANCIAL MANAGEMENT

Enrollment did not meet SCS-provided projections for 3rd Year in a row. As of 9/21/2021, SCS's total enrollment was 120 students, 20% less than projected. Fortunately, it based its budget on 102 students. It is planning to make its first payment of \$100,000 to SFS Development, Inc. at mid-year. OTRS debt has been paid off and SCS is current with OTRS at this time. Below is the "Working Budget" approved by the SCS board this summer.

Year	2021-2022
Student Enrollment	102
State Aid	
State Aid based on WADM	\$481,468.45
Authorizer Fee (Deduction off of income) 3%	
State Textbook	
Activity Fund	\$ 7,000.00
Grants	
Flex Benefit	\$46,017.84
PPP COVID 19	\$103,000.00
Federal Programs: Reimbursement	
Title I	\$65,857.20
Title II	\$0.00
CARES Money/ESSER II	\$298,496.14
Indian Ed	\$0.00
Title VI	\$0.00
IDEA Funds	\$43,450.00
CSP Funds 771 Funds	\$100,000.00
Ohter	\$0.00
Local Funds	
Balance Forward from Previous Fiscal Year	\$0.00
Funds Raised	\$320,000.00
Income Total	\$1,465,289.63

Expenses	
Salary Cost	
Administrative Salaries	\$195,000.00
Instructional Salary (avg \$40k)	\$400,000.00
Benefits and Taxes	\$267,930.00
Support Staff/Aides	\$45,000.00
Bus Drivers	\$31,000.00
Stipends	\$0.00
OMES back premiums	\$0.00
TRS 19-20 Obligation	\$0.00
Total Salary and Benefit	\$938,930.00
Facility Expenses	
Building Lease (12% revenue)	\$55,852.67
Renovation Costs	\$0.00
Janitorial/supplies and part time employee	\$15,000.00
Insurance	\$50,000.00
Furniture Purchase	\$0.00
Purchased Services (lawn care, waste and trash removal)	\$7,000.00
Repairs and Maintenance	\$5,000.00
Utilities (including gas, electric, water, ISP/phone)	\$70,000.00
Food Service	
Facility Total	\$202,852.67
Other Expenses	
Transportation (including field trips)	\$3,000.00
Professional Services (Legal, Accountant, Audit, etc.)	\$35,000.00
Professional Services (Student Supports - speech, social work, psych)	\$10,000.00
Postage and Mailing	\$1,000.00
Professional Development (Workshops and Conferences)	\$0.00
Student Information System	\$7,300.00
Assessment Program	\$2,250.00
Text Books (curriculum)	\$5,000.00
Teaching Supplies	\$5,000.00
Copier and Printers	\$1,000.00
Computers/lpads/Chromebooks, etc...	\$2,500.00
SFS Inc. Loan \$300k	\$100,000.00
PPP Loan Payback	\$0.00
Other Expense Total	\$172,050.00
Expense Total	\$1,313,832.67
Previous Year Carryover	\$78,000.00
Income Total	\$1,543,289.63
Expense Total	-\$1,313,832.67
	\$229,456.96

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SDE has not received any financial reports for FY22 so SCS's current financial condition is unknown. SCS said at the Sept 24th meeting the "Working" budget above is outdated and the budget has been revised as needed every month.

The following are SDE findings on the initial FY22 budget approved by the SCS board.

- Budget is not presented with FY21 Budget and Actuals for comparison purposes
- Lists \$103K PPP loan from FY21 on FY22 budget as income
- Lists CSP grant and \$320k as income without noting that these funds are designated for specific purposes and may not be used as general operations funding
- \$7000 Activity funds listed General Fund Income budget
- Authorizer fee is not included as expense
- There is a line item for stipends but no amount. Several board agendas show approval of stipends but no amount
- There is no expense for Food Service despite SCS's contract with Keystone Food Service
- Student supports which includes, but is not limited to, outside services for Special Education are budgeted for \$10,000
- Has \$3,000 line item for transportation which includes field trips. Sovereign provides daily transportation in its own bus. Budget for gas, repairs, etc. is not delineated

Fundraising and Grants

SCS has had two recent successes in securing external funding.

- Its Charter School Program grant has been extended a year. According to OPSCR, the CSP grant administrator, SCS has up to \$456,935 remaining for start-up expenses.
 - There may be expenses that qualify for CSP reimbursement which have not be filed
 - The remaining funds have restrictions. All planned expenditures must be listed in SCS's original CSP grant budget
 - All expenses must be startup in nature and are only paid out on a reimbursement basis
- The Chickasha Nation fully funded an SCS grant request of \$300,000 for transportation
 - Grant includes full cost of a new bus to replace original bus that had its catalytic converter stolen plus two additional activity vans
 - The relationship with the Chickasha Nation was facilitated by new board member Travis Lang

SDE requested a copy of SCS's fundraising plan. SCS responded that its Sustainability committee has not met recently. SCS said that it has added new board members to assist with fundraising and they have already brought in the \$300,000 Chickasha Nation grant

Negative Impacts on Cash Flow

Since inception, SCS has not received any reimbursement from federal programs despite assurances from SCS leadership for the past two years that SCS would fix all issues.

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Child Nutrition Program

Sovereign has never been approved to participate in either the National School Lunch program or the National School Breakfast program. Sovereign cannot be reimbursed for any claims until it receives approval.

To be approved, SCS is required to complete an approved application and complete successful on-site inspections. For FY22, Stacie Thrasher sent an email to SDE’s Child Nutrition Program (CNP) on September 9, 2021 — one month after the 1st day of school. She was sent an application to complete. As of Monday, October 14, 2021, CNP has not received a complete application.

SCS is providing meals to its students and paying for the expenses from its general funds. It is unknown if it is charging students for meals. Potential lost revenue

ANNUAL INCOME FY20 (Estimated participation)	DAILY FY22 (Estimated participation)
39 students	120 students
x 80% eligible	x 80% eligible
x 70% that take meals daily	x 70% that take meals daily
x 160 days of food service	x \$4.31 (lunch reimbursement)
x \$3.41 (lunch reimbursement)	x \$2.46 (breakfast reimbursement)
x \$1.84 (breakfast reimbursement)	
\$21,925.26	\$712.49 Loss Per Day

Important Note: SCS students are not eligible to receive grocery benefits from the Pandemic Electronic Benefit Transfer (P-EBT) program because SCS is not qualified to participate in CNP. Had SCS been participating in CNP, its qualified students would have received a card containing \$6.82 for each day of virtual instruction. As an example, OKCPS students who spent 2/3 of the school year in remote learning received \$200 for FY20 and \$650 for FY 21.

Federal Grant Programs

This chart summarizes the current status of SCS’s paperwork and compliance with Federal Programs. To date, SCS has not submitted any reimbursement claim for any years. Fortunately, because of COVID-19, all programs have extended the timeframes for using funds and submitting reimbursement claims.

	Notes	FY20	FY21	FY22	Other Funds	Total
Title I	FY20, FY21 Consolidated Application Approved. No Claims Made. FY22 application	\$11,597.88	\$27,147.42	\$27,111.90		\$65,857.20
Title II		\$2,030.20	\$4,690.42	\$4,239.64		\$10,960.26
Title IVA		\$15,000.00	\$10,000.00	\$10,000.00		\$35,000.00

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	Notes	FY20	FY21	FY22	Other Funds	Total
	has not been submitted					
IDEA-B	Student counts submitted through Ed Plan. Application submitted but no budget. No claims made.	\$10,591.77	\$16,622.12	\$16,614.57	\$3,947.50 (ARP IDEA Consolidated)	\$47,775.96
<i>COVID-19 Relief Funds</i>						
Cares Act 788	Application returned for changes 9/9/21. Awaiting response	\$9,589.76	36.12			\$9,625.88
ESSER II 793	Application returned for changes 9/9/21. Awaiting response		\$88,465.74			\$88,465.74
ESSER III 795	Application returned for Changes 9/29/21. Awaiting response. Funding can be spent over three year period			\$200,404.52		\$200,404.52
TOTAL FEDERAL FUNDS AVAILABLE						\$458,089.56

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GOVERNANCE ASSESSMENT

No independent review or assessment of capacity and expertise of Sovereign’s governing board was completed. The review report was due in December 2020.

Despite no governance review, SDE commends the SCS board for conducting its regular monthly meetings and having special meeting when needed. It has added new members that have directly resulted in donations of \$300,000 and a new tribal relationship.

Since founding in fall 2019, it has had four board presidents. Since the June 2021 State Board meeting, SCS board selected a new board president



ANNUAL AUDIT

SCS’s board reviewed and voted to acknowledge the FY20 audit in spring 2021. For school districts that receive deficiencies from the auditor, SDE’s audit team does a Risk Assessment and requires the district to submit corrective action plans. SCS submitted corrective action plans on time.

In its review, the audit team found a significant reporting error. The auditor did not receive information on the OTRS debt and thus, it was not included. The omission also caused errors in financial reporting. SDE has requested that the auditor issue a corrected FY20 audit report.

REPORTING TO SDE

SDE inconsistently receives reports required from SCS. In addition to the required reporting and submissions for SDE function areas such as School Personnel Report and Accreditation, it is required to submit monthly financial reports (reconciled financials, income statements, balance sheets, budgets, and financial reports with details such as outstanding debts) and board meeting packets (agendas, minutes, documents supplied to board members) at the same time SCS board members received their board packets.

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Here is a required or requested list of documents still not received as of October 20, 2021

1. Financial reports and other required reporting documents (only received June 2021 Monthly Report)
2. Board meeting packets
 - a. SDE limited request to just packets from start of May 2021
 - b. SDE received all board agendas since May and almost all board minutes but no documents
3. Documents included in board packets
 - a. List of Temporary Appropriations for FY22 in amount of \$600k
 - b. YTD FY22 Encumbrance and Purchase Order Reports
 - c. Contract with OCAS/Jenkins & Kemper
 - d. Contract with Acellus for curriculum
 - e. 2021-22 Employee Handbook (Changes highlighted)
 - f. 2021-22 Student Handbook and Addendum (Changes highlighted)
 - g. Remote/Virtual Learning Plan including board policies for virtual learning such as daily attendance
 - h. Board Policies

Status of SDE report for various departments

- Accreditation application was certified by Supt Delso on time (Deadline: October 15)
- School Personnel Reports certified data by deadline (Oct 15)
- SCS board approved the Estimate of Needs on Sept. 27, 2021 but it was not uploaded until October 8, 2021 (Deadline: October 1)
- FY20 audit was completed and review by SCS board. It is in the process of being corrected by the auditor for error involving FY20 OTRS debt
- FY21 OCAS data submitted on time. But data will have to be unlocked to review/make revisions for Special Education funding
- Federal Grant Programs
 - FY22 Consolidated application for Federal Funding has not been submitted
 - FY20 and FY21 applications were approved. No reimbursement claims submitted
 - Cares Act grant application was returned for changes on Sept. 9, 2021. No claims for reimbursement may be submitted until approved
 - ESSER II grant application was returned for changes on Sept. 9, 2021.
 - ESSER III grant application was returned for changes on Sept. 29, 2021.
- No application submitted to qualify for participation in Federal Child Nutrition Programs for FY22

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APPENDIX A

Sovereign Community School (SCS) Accreditation Probation Terms, November 2020

1. Fiscal management plan, including schedule and plan for repayment of outstanding obligations, and designate an Oklahoma State Department of Education (OSDE)-approved independent fiscal agent that reports monthly to the OSDE. In addition, see items below relating to Board Meetings, financial reports, and audit. Due: immediately begin planning and prepared to report by December 4, 2020.
2. Independent review and assessment of capacity and expertise of the governing board, taking into consideration current term limits for existing board members, and add membership as needed to allow the board to fulfill its governance duties. Due: immediately begin planning and prepared to report by December 10, 2020.
3. Ensure the timely and uniform reporting of actual costs and expenditures to the OSDE Office of School Personnel Records. Due: immediately.
4. Timely reporting and work with OSDE to ensure work is done. Due: immediately.
5. Timely and accurate completion of items addressed in the State Board meeting, including but not limited to School Personnel Records and reports relating thereto.
6. Prioritize and expedite prior conditions, including:
 - a. Obtain an independent financial audit, to be conducted immediately and reported on
 - b. Financial reports. To be provided to OSDE/OSBE on a bi-weekly basis.
 - c. Board Meetings: o Bi-weekly meeting recommended.
 - d. Reconciled financials, income statements, balance sheets, budget to include amounts due and owed to Oklahoma Teachers Retirement System and Santa Fe South Development Corporation. Due: Beginning December 4, 2020
 - e. Compliance with applicable rules, regulations, and policies. Due: immediately
 - f. Submit to the Oklahoma State Department of Education, board and committee meeting agendas, materials corresponding to agenda items, and minutes prior to each board meeting while these items are sent to the school's board members. Due: immediately.

