

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

**ASTEC CHARTER SCHOOL, E-004  
OKLAHOMA COUNTY, OKLAHOMA**

**JUNE 30, 2014**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

ASTECC HARTER SCHOOL, OKLAHOMA COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2014

**BOARD OF EDUCATION**

**Chairman**

Brad Martin

**Members**

Marilyn Andarakes

Tommy Baker

Dr. Tom Friedemann

Rev. Krizzo Meadows

Debra Murray

Pama Palmer

Elizabeth Parker

**CHIEF EXECUTIVE OFFICER**

Dr. Freda Deskin

**CHIEF OPERATING OFFICER**

Harold Roberts

**FINANCE DIRECTOR**

Manika Kataria

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page No.</u>
School District Officials	2
Table of Contents	3
Independent Auditor's Report	5
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements - Regulatory Basis - Performed in Accordance with Government Auditing Standards	7
Report on Compliance and Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9
Disposition of Prior Year's Significant Deficiencies and Material Instances of Non-Compliance	11
Schedule of Audit Results	12
<b>Combined Financial Statements – Regulatory Basis</b>	
Combined Statement of Assets, Liabilities and Fund Equity - All Fund Types – Regulatory Basis	13
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – All Governmental Fund Types and Expendable Trusts – Regulatory Basis	14
Combined Statement of Revenues Collected, Expenditures and Changes in Cash Fund Balances – Budget and Actual – Budgeted Governmental Fund Types – Regulatory Basis	15
<b>Notes to Combined Financial Statements - Regulatory Basis</b>	16
<b>Combining Financial Statements – Regulatory Basis</b>	
Combining Statement of Changes in Assets and Liabilities – Agency Funds – Regulatory Basis	26

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
JUNE 30, 2014

Schedule of Expenditures of Federal Awards – Regulatory Basis	28
Schedule of Statutory, Fidelity and Honesty Bonds	29
Schedule of Accountant’s Professional Liability Insurance Affidavit	30



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

March 3, 2015

The Honorable Board of Education  
ASTECC Charter School  
Oklahoma City, Oklahoma County, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of the ASTEC Charter School District Number E-004, Oklahoma City, Oklahoma County, Oklahoma (the District), as of and for the year ended June 30, 2014, 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. 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. 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 District, 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, 2014, 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 District, as of June 30, 2014, 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 District’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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of State4s, Local Governments, and Non-Profit Organizations*, and is also 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 combined 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 3, 2015 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and to other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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**

March 3, 2015

The Honorable Board of Education  
ASTECH Charter School District Number E-004  
Oklahoma City, Oklahoma County, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements – regulatory basis within the combined financial statements of the ASTEC Charter School District Number E-004, Oklahoma City, Oklahoma County, Oklahoma (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 3, 2015, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP





# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 3, 2015

The Honorable Board of Education  
ASTECC Charter School District Number E-004  
Oklahoma City, Oklahoma County, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited ASTEC Charter School District Number E-004, Oklahoma City, Oklahoma County, Oklahoma (District)'s, compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. 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 OMB Circular A-133 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, 2014.

## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2014

There were no prior year significant deficiencies.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014

**Section 1** - Summary of Auditor's Results:

1. A qualified opinion was issued on the financial statements with respect to the regulatory basis of accounting prescribed.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Program determined to be major were the Child Nutrition Programs (10.553 & 10.555), which were clustered in determination, and the Title I Program (84.010), which was not clustered.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee 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:

None

**Section 3** – Findings and questioned costs for federal awards:

None

**ASTEC CHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY  
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2014**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES GENERAL</u>	<u>FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND</u>	<u>TOTAL</u>
Cash	\$ 429,647	204,601	634,248
Investments	702,838		702,838
Total Assets	<u>\$ 1,132,485</u>	<u>204,601</u>	<u>1,337,086</u>
 <u>LIABILITIES AND FUND EQUITY</u>  			
Liabilities:			
Warrants payable	\$ 80,400		80,400
Encumbrances	407,685		407,685
Funds held for school organizations		204,601	204,601
Total liabilities	<u>488,085</u>	<u>204,601</u>	<u>692,686</u>
Fund Equity:			
Cash fund balances	<u>644,400</u>	<u>0</u>	<u>644,400</u>
Total Liabilities and Fund Equity	<u>\$ 1,132,485</u>	<u>204,601</u>	<u>1,337,086</u>

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

**ASTECHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES**  
**REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	GOVERNMENTAL FUND TYPES
	GENERAL
Revenues :	
Local sources	\$ 170,065
State sources	491,210
Federal sources	678,790
Interest earnings	868
Per Capita sources	3,978,171
Total revenues	5,319,104
Expenditures:	
Instruction	2,107,736
Support services	2,960,727
Operation of non-instructional services	354,210
Other outlays	3,732
Other uses	1,255
Total expenditures	5,427,660
Revenues over (under) expenditures	(108,556)
Other financing sources (uses):	
Adjustments to prior year encumbrances	827
Bank charges	(7,554)
Total other financing sources (uses)	(6,727)
Revenue and other sources over (under) expenditures and other uses	(115,283)
Cash fund balance, beginning of year	759,683
Cash fund balance, end of year	\$ 644,400

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

**ASTECHARTER SCHOOL NO. E-004, OKLAHOMA 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, 2014**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>Revenues:</b>			
Local sources	\$ 48,513	48,513	170,065
State sources	368,978	368,978	491,210
Federal sources	755,497	755,497	678,790
Interest earnings	0	0	868
Per Capita sources	3,640,547	3,640,547	3,978,171
Total revenues	<u>4,813,535</u>	<u>4,813,535</u>	<u>5,319,104</u>
<b>Expenditures:</b>			
Instruction	3,631,594	3,631,594	2,107,736
Support services	1,547,354	1,547,354	2,960,727
Operation of non-instructional services	329,300	329,300	354,210
Other outlays	64,970	64,970	3,732
Other uses	0	0	1,255
Total expenditures	<u>5,573,218</u>	<u>5,573,218</u>	<u>5,427,660</u>
Revenues over (under) expenditures	(759,683)	(759,683)	(108,556)
<b>Other financing sources (uses):</b>			
Adjustments to prior year encumbrances			827
Bank charges			(7,554)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(6,727)</u>
Revenue and other sources over (under) expenditures and other uses	(759,683)	(759,683)	(115,283)
Cash fund balance, beginning of year	<u>759,683</u>	<u>759,683</u>	<u>759,683</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>644,400</u>

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

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements – regulatory basis of the ASTEC Charter School (the “School”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the School’s accounting policies are described below.

A. Reporting Entity

The School is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The School is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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.



ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**B. Fund Accounting**

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).

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.

**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.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

B. Fund Accounting – cont’d

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.

**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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reports in the combined financial statements – regulatory basis. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the regulatory basis of accounting. Revenues are recognized when they are received rather than earned. Under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. These practices differ from generally accepted accounting principles. Significant differences are as follows:

The School does not maintain its accounts on the modified accrual basis of accounting under which revenues are recorded when susceptible to accrual, i.e., both measurable and available, and expenditures are recorded when the liability is incurred, if measurable.

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

C. Basis of Accounting - cont'd

The general, building and child nutrition funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

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.

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.

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.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**E. Assets, Liabilities and Fund Equity**

Cash – Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments – The School is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the School. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2014, is not material to the combined financial statements.

Fixed Assets and Property, Plant and Equipment – The General Fixed Assets Account Group is not presented in the financial statements.

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.

Unmatured Obligations – The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

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.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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.

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase orders, legal contracts, outstanding warrants and un-matured obligations.

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. 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. The State Board of Education administers the allocation of state aid funds to school districts 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

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

F. Revenue and Expenditures – cont’d

The aforementioned state revenues are apportioned to the School’s 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.

An 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. The School maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

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.

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

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.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

F. Revenue and Expenditures – cont'd

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.

Inter-fund 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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during the 2013-14 fiscal year.

ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

**2. CASH AND INVESTMENTS**

The School's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the School.

Cash – The School's bank balance of deposits and cash pools at June 30, 2014, was \$644,212. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The School's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the School's third party agent in the School's name.

Investments – At June 30, 2014, the School's investments consisted certificates of deposits and of investment pools (sweep accounts) invested in money market funds with an approximate fair market value of \$702,838.

*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.

*Credit risk – Investments* – Credit risk is the risk that the issuer or other counterparty to and investment will not fulfill its obligations. Investments held by the School in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with BancFirst, IBC Bank, Midfirst Bank and Ameriprise, and are rated AAA by Standard and Poor's. The School does not have a formal policy limiting its exposure arising from concentration of investments.

**3. INTERFUND RECEIVABLES AND PAYABLES**

There were no inter-fund receivables or payables at June 30, 2014.



ASTECHARTER SCHOOL, OKLAHOMA COUNTY  
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

**4. GENERAL LONG-TERM DEBT**

As of June 30, 2014, the School had no outstanding debt.

**5. EMPLOYEE RETIREMENT SYSTEM AND PLAN**

The School has a 401(k) plan for all employees. The School matches full time employee's contributions up to 5% of salary. The expense of the retirement plan was \$109,358 for the year ended June 30, 2014.

**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.

Litigation

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

Subsequent Events

Management has evaluated subsequent events through March 3, 2015, which is the date the financial statements were available to be issued, and have determined that no additional information needs to be added to the financial statements.

**ASTEC CHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
REGULATORY BASIS - ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activities</u>	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
Miscellaneous	\$ 5,613	46,784		17,322	35,075
Odyssey of the Mind	1,175	105		744	536
Yearbook	8,977	6,798		4,485	11,290
Hospitality	6	1,644		1,534	116
Christmas Angels	945	3,252		1,803	2,394
Class of 2013	6,539	0		6,539	0
Class of 2012	3,347	0		3,347	0
Class of 2011	2,322	0		2,322	0
Class of 2017	11,734	3,388		963	14,159
Social Studies Club	0	0		0	0
Class of 2014	14,037	2,713		13,367	3,383
Class of 2015	15,783	6,183		4,250	17,716
Productions	2,073	0		0	2,073
HS Student Council	1,346	3,266		1,656	2,956
The Arts	3,206	407		2,356	1,257
Class of 2016	15,459	3,812		318	18,953
National Honor Society	135	210		157	188
National Junior Honor Society	42	0		0	42
Great Ideas Creative OK	76	0		0	76
Student Scholarships	5,414	0		0	5,414
Entrepreneur	7,495	10,214		7,271	10,438
MS Reading	265	0		0	265
Class of 2018	10,704	4,660		2,420	12,944
Leadership MS	46	0		0	46
Cheerleading	0	3,130		2,663	467
Target 6th Grade Grant	176	0		0	176
Business Ethics & Careers	92	0		0	92
Athletics	3,642	13,290		15,515	1,417
RB Jones Memorial	2,373	400		83	2,690
English Club	2,720	2,188		1,803	3,105
Tech	6,584	4,443		6,605	4,422
MS Social Studies	4,253	1,944		4,174	2,023
MS Science	839	0		0	839
Testing	2,446	1,285		2,570	1,161
8th Grade Leadership	2,247	0		2,247	0
Biology Club	1,085	0		0	1,085
Academic Club	700	423		184	939
Robotics	7,669	7,583		11,502	3,750
ID Badges	1,299	2,716		1,130	2,885
Drama	2,870	1,674		2,726	1,818
Re-sale Merchandise	12,181	2,060		10,773	3,468
AP Club	182	125		50	257
Advanced Placement	0	1,300		0	1,300
Class of 2019	7,325	4,415		411	11,329
Healthcorps	3,993	567		572	3,988
Creative Oklahoma - Biology	2,000	0		0	2,000
Creative Oklahoma - TV Product	2,000	0		0	2,000

**ASTEC CHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 REGULATORY BASIS - ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activities</u>	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
Creative Oklahoma - Perkins	2,000	0		0	2,000
Class of 2020	4,495	4,689		1,285	7,899
Great Ideas - Crosby	0	779		777	2
Film Club	0	457		46	411
Class of 2021	0	3,440		0	3,440
MS Student Council	0	317		0	317
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS - AGENCY FUNDS	<u>\$ 189,910</u>	<u>150,661</u>	<u>0</u>	<u>135,970</u>	<u>204,601</u>

LIABILITIES AND FUND EQUITY:

Funds held for school organizations	<u>\$ 189,910</u>	<u>150,661</u>	<u>0</u>	<u>135,970</u>	<u>204,601</u>
-------------------------------------	-------------------	----------------	----------	----------------	----------------

**ASTEC CHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass Through Grantor/Program Title <u>U.S. Department of Education</u>	Federal CFDA Number	Federal Grantor's/ Pass-through Grantor's Number	Program or Award Amount	Beginning Balance 7/01/2013	Revenue Collected	Total Expenditures	Ending Balance 6/30/2014
<b><u>U.S. Department of Education</u></b>							
<b><u>Passed Through State Department of Education:</u></b>							
*Title I-Part A, Improving Basic Programs	84.010		\$ 272,113		132,972	267,108	134,136
Title I-Part A, Improving Basic Programs 2012-13 - Note 1	84.010			28,525	28,525		
Special Education, Flowthrough, P.L. 105-17	84.027		133,799		92,105	128,326	36,221
Special Education, Flowthrough, P.L. 105-17 2012-13 - Note 1	84.027			23,562	23,562		
Title II-Part A, Teacher & Principal Training	84.367		45,666		12,110	33,291	21,181
Title II-Part A, Teacher & Principal Training 2012-13 - Note 1	84.367			39,251	39,251		
Title III-Part A	84.365		13,994		11,821	13,067	1,246
Title III-Part A, 2012-13 - Note 1	84.318			10,484	10,484		
Subtotal			465,572	101,822	350,830	441,792	192,784
<b><u>U.S. Department of Agriculture:</u></b>							
<b><u>Passed Through State Department of Education:</u></b>							
* National School Lunch Program	10.555				279,717	279,717	
* School Breakfast Program	10.553				47,436	47,436	
Total For Program (Cluster)					327,153	327,153	
<b><u>Other Federal Assistance:</u></b>							
Rehabilitation Services	84.126		807	0	807	807	0
Total Federal Assistance			\$ 466,379	101,822	678,790	769,752	192,784

\* Major federal programs

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

Note 2 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**ASTECHARTER SCHOOL NO. E-004, OKLAHOMA COUNTY**  
**STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
RLI Insurance Co	Superintendent (CEO)	LSM0349096	\$ 100,000	3/08/13 - 3/08/14
	Encumbrance Clerk	LSM0371315	1,000	4/30/13 - 4/30/14
	Finance Director	LSM0349084	1,000	2/20/13 - 2/20/14
	Treasurer	41UD01285682	100,000	8/01/14 - 8/01/15
AIG Insurance Co	Activity Fund Custodian	41UD01285682	1,000	7/01/13 - 7/01/14
	Minutes Clerk	41UD01285682	1,000	7/01/13 - 7/01/14

ASTEC CHARTER SCHOOL, OKLAHOMA COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2013 TO JUNE 30, 2014

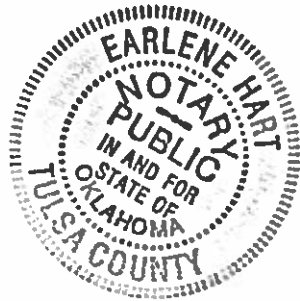
State of Oklahoma            )  
  ) ss  
County of Tulsa             )


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 ASTEC Charter School for the audit year 2013-14.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP  
Auditing Firm

By   
Authorized Agent

Subscribed and sworn to before me  
This 3<sup>rd</sup> day of March, 2015



  
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2016  
Commission No. 00008621