

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

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

JUNE 30, 2021

Audited by

**BLEDSOE, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLP**

BROKEN ARROW, OK

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

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ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
JUNE 30, 2021

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ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
ASTEC Charter School Number G-004
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 G-004, Oklahoma City, Oklahoma County, Oklahoma (the School), as of and for the year ended June 30, 2021, 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 School as of June 30, 2021, 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, 2021, 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 as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements – regulatory basis and 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 January 4, 2022 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, PLLP

January 4, 2022



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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
ASTEC Charter School Number G-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 G-004, Oklahoma City, Oklahoma County, Oklahoma (School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 4, 2022, 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 School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of School'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 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 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLP

January 4, 2022



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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
ASTEC Charter School Number G-004
Oklahoma City, Oklahoma County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited ASTEC Charter School District Number G-004, Oklahoma City, Oklahoma County, Oklahoma (School)'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 School's major federal programs for the year ended June 30, 2021. The School'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 School'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 School'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 School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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, 2021.

Report on Internal Control Over Compliance

Management of the School, 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 School'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 School'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, PLLP

January 4, 2022

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NON-COMPLIANCE
JUNE 30, 2021

There were no prior year significant deficiencies.

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Section 1 - Summary of Auditor's Results:

1. An adverse opinion was issued on the combined financial statements in the conformity with the 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 the regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. 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 financial reporting.
3. The audit disclosed no instances of noncompliance which were 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), which are clustered in determination, and the COVID-19 Education Stabilization Fund-ESSER/CARES Act Programs (84.425D), which is not clustered.
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:

NONE

Section 3 – Findings and Questioned Costs for Federal Awards:

NONE

COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2021

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>EXPENDABLE TRUST AND AGENCY FUND</u>	
Cash	\$ 4,088,349	221,435	4,309,784

LIABILITIES AND FUND BALANCE

Liabilities:

Checks payable	\$ 440,872	440,872
Encumbrances	544,497	544,497
Funds held for school organizations	221,435	221,435
Total liabilities	985,369	221,435

Fund Balance:

Unassigned	3,102,980	0	3,102,980
Total Liabilities and Fund Balance	\$ 4,088,349	221,435	4,309,784

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

ASTEC CHARTER SCHOOL NO. G-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, 2021

	GOVERNMENTAL FUND TYPES <u>GENERAL</u>
Revenues :	
Local sources	\$ 18,458
State sources	7,973,852
Federal sources	1,933,671
Interest earnings	14,741
Non-revenue receipts	<u>1,112,915</u>
Total revenues	<u>11,053,637</u>
Expenditures:	
Instruction	4,175,558
Support services	4,859,600
Operation of non-instructional services	672,272
Other outlays:	
Reimbursement	22,952
Correcting entry	<u>1,100,128</u>
Total expenditures	<u>10,830,510</u>
Revenues over (under) expenditures	223,127
Other financing sources (uses):	
Adjustments to prior year encumbrances	<u>115,571</u>
Revenue and other sources over (under) expenditures and other uses	338,698
Cash fund balance, beginning of year	<u>2,764,282</u>
Cash fund balance, end of year	<u>\$ 3,102,980</u>

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

**ASTEC CHARTER SCHOOL NO. G-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, 2021**

	GENERAL FUND			PRIOR YEAR (MEMORANDUM ONLY)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues:				
Local sources	\$ 15,424	15,424	18,458	43,160
State sources	8,306,616	8,306,616	7,973,852	6,997,114
Federal sources	2,423,962	2,423,962	1,933,671	1,377,387
Interest earnings			14,741	6,342
Non-revenue receipts			1,112,915	80,326
Total revenues	<u>10,746,002</u>	<u>10,746,002</u>	<u>11,053,637</u>	<u>8,504,329</u>
Expenditures:				
Instruction	4,422,551	4,422,551	4,175,558	3,036,876
Support services	6,380,940	6,380,940	4,859,600	4,365,412
Operation of non-instructional services	1,135,681	1,135,681	672,272	421,766
Facilities acquisition & construction services	434,851	434,851		86,195
Other outlays:				
Reimbursement	16,045	16,045	22,952	
Indirect cost entitlement	20,341	20,341		
Correcting entry	1,099,875	1,099,875	1,100,128	80,301
Total expenditures	<u>13,510,284</u>	<u>13,510,284</u>	<u>10,830,510</u>	<u>7,990,550</u>
Revenues over (under) expenditures	(2,764,282)	(2,764,282)	223,127	513,779
Other financing sources (uses):				
Adjustments to prior year encumbrances			115,571	3,816
PPP loan proceeds				641,288
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>115,571</u>	<u>645,104</u>
Revenue and other sources over (under) expenditures and other uses	(2,764,282)	(2,764,282)	338,698	1,158,883
Cash fund balance, beginning of year	<u>2,764,282</u>	<u>2,764,282</u>	<u>2,764,282</u>	<u>1,605,399</u>
Cash fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>3,102,980</u>	<u>2,764,282</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the ASTEC Charter School, (the “School”), 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 School’s accounting policies are described in the following notes that are an integral part of the School’s financial statements.

A. Reporting Entity

ASTEC, Inc., an Oklahoma not-for profit corporation described in Internal Revenue Code Section 501(c)(3), was formed for the benefit of a school to be called The Advanced Science and Technology Education Charter (ASTEC). The School was formed under provisions of the Oklahoma Charter Schools Act through a contract with Oklahoma State University, as its sponsoring school, a political subdivision of the state. The School is also 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 eight voting community members. The appointed Chief Executive Officer is the lead official of the School. The Board, constituting an on-going entity, is the level of government which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the local independent school district. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

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

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

A. Reporting Entity – cont'd

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).

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 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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus - cont'd

Special Revenue Funds – Special revenue funds account for revenue sources that are restricted to expenditures for specific purposes. The special revenue funds typically include the building, co-op and child nutrition funds. The School did not maintain any special revenue funds during the 2020-21 fiscal year.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

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.

Debt Service Fund – The debt service fund is the School's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The School did not maintain this fund during the 2020-21 fiscal year.

Capital Projects Fund – The capital projects fund is the School's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment. The School did not maintain this fund during the 2020-21 fiscal year.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

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 did not maintain any expendable trust funds during the 2020-21 fiscal year.

Gifts and Endowments Fund – The gifts and 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.

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.

General Long-Term Debt Account Group – This account group is established to account for all the long-term debt of the School, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases) which are to be paid from funds provided in future years.

General Fixed Assets Account Group – This account group is used by governments to account for the property, plant and equipment of the school district. The School does not have the information necessary to include this group in its financial statements.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Measurement Focus – cont'd

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.

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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

C. Basis of Accounting and Presentation – cont'd

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. The Board of Education must request an initial temporary appropriations budget from their County Excise Board before June 30. The District uses the temporary appropriation amounts as their legal expenditure limit until the annual Estimate of Needs is completed.

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.

The 2019-20 Estimate of Needs was not amended by any supplemental appropriations. Any amendments must be approved by the County Excise Board.

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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance

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, 2021, 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.

Checks Payable – Checks are issued to meet the obligations for goods and services provided to the School. The School recognizes a liability for the amount of outstanding checks that have yet to be cashed by the School's bank.

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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance – 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).

Amounts 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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Assets, Liabilities and Fund Balance – 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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Revenue and Expenditures – cont'd

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.

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. All federal revenues received by the School are apportioned to the general fund.

Non-Monetary Transactions – The School receives commodities from 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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

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.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

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 2020-21 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, 2021, were \$4,309,945, 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.
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

2. CASH AND INVESTMENTS – cont'd

- County, municipal or school district 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 district.
- 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, 2021.

4. GENERAL LONG-TERM DEBT

General long-term debt of the District consists of a capital lease. Capital lease payments are made from the general fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2021:

	<u>Capital Leases</u>
Balance, July 1, 2020	\$ 164,562
Deletions	<u>(164,562)</u>
Balance, June 30, 2021	<u>\$ 0</u>

The School paid off an outstanding equipment capital lease during the 2020-21 fiscal year, which was originally scheduled to be paid off in the 2021-22 fiscal year.

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

4. GENERAL LONG-TERM DEBT – cont'd

PPP Loan

On April 23, 2020 the School executed a promissory note for \$641,288 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.

During the 2020-21 fiscal year, the PPP loan was forgiven by the SBA. The proceeds from this loan are shown as an other financing source on the financial statements.

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. For the year ended June 30, 2021, total employer contributions were \$163,972.

6. COMMITMENTS

Charter Contract – The School operates under a charter granted by Oklahoma State University (OSU). As the sponsoring organization, OSU exercises certain oversight responsibilities. Under this charter, the School has agreed to pay OSU an annual administrative fee equal to 3% of state aid revenue. The current charter contract is effective until June 30, 2024.

Building Lease – The School leases their building at 2401 NW 23rd Street, Oklahoma City, Oklahoma 73107 from VTA Oklahoma City, LLC (VTA) for a period of 10 years concluding on December 31, 2027, at a monthly rate determined by the usable square footage. The School made rental payments totaling \$1,054,020 to VTA during the 2020-21 fiscal year.

Elementary Building – The School's Foundation, The ASTEC Fund, leases the new elementary building to the School. The elementary building at 2600 General Pershing Blvd, Oklahoma City, Oklahoma, was constructed and is owned by ASTEC Fund. Under the agreement, the School will make lease payments no greater than ASTEC Fund's construction loan amount. After the loan is paid off, the lease payments will be \$1 per year. The School made lease payments to ASTEC Fund during the 2020-21 fiscal year totaling \$360,000 (see Note 9 – Related Party Transactions).

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

7. 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, public officials liability, and workers compensation coverage. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

8. 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 2020-21 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.

9. RELATED PARTY TRANSACTIONS

The Foundation for ASTEC Charter Schools, The ASTEC Fund, was formed to support the needs of ASTEC Charter Schools, as defined by the School and the ASTEC Charter Schools' governing board. ASTEC Fund is a separate legal entity and organized as a non-profit organization described in Internal Revenue Code Section 501(c)(3). During the 2020-21 fiscal year, the School made \$444,000 in payments to ASTEC Fund. These payments were for architecture and construction oversight services during the construction of a new elementary building (\$84,000), as well as rental of facilities (\$360,000).

ASTEC CHARTER SCHOOL NO G-004, OKLAHOMA COUNTY
NOTES TO THE COMBINED FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

9. RELATED PARTY TRANSACTIONS – cont'd

In addition, during the construction of the new elementary building, the School made a payment to the construction contractor on behalf of ASTEC Fund totaling \$757,377. ASTEC Fund subsequently reimbursed the School for this payment. This transaction is shown as *non-revenue receipts* and as *other outlays* on the Statement of Revenues Collected, Expenditures and Change in Cash Fund Balances.

COMBINING FINANCIAL STATEMENTS – REGULATORY BASIS

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Activities	Balance 7/1/2020	Additions	Transfers/ Adjustments	Deletions	Balance 6/30/2021
Miscellaneous	\$ 3,947	109	11,753	2,890	12,919
Odyssey of the Mind	0	0		0	0
Yearbook	5,815	1,420	(50)	3,579	3,606
Hospitality	4,305	4,237	(2,023)	5,700	819
Christmas Angels	2,190	11,919	1,900	7,362	8,647
Class of 2017	0	0		0	0
Financial Literacy	5,000	0		0	5,000
Wes Welker Grant	150	0		0	150
Productions	1,569	0		0	1,569
HS Student Council	935	265	1,335	220	2,315
The Arts	2,988	0	50	570	2,468
Petty Cash	174	0	60	0	234
National Honor Society	186	120		0	306
Refreshments	0	0		0	0
National Junior Honor Society	27	45		0	72
Student Scholarships	3,464	1,000	75	0	4,539
Entrepreneur	5,669	0		0	5,669
Class of 2018	0	0		0	0
Leadership MS	179	0		0	179
Cheerleading	1,576	200		0	1,776
Target 6th Grade Grant	0	0		0	0
Athletics	7,901	0		0	7,901
RB Jones Memorial	3,816	200	75	1,800	2,291
English Club	2,612	0		175	2,437
Class of 2024	15,480	1,000	(17)	0	16,463
Tech	8,719	0		0	8,719
MS Social Studies	3,105	0		0	3,105
MS Science	1,304	0		0	1,304
Testing	2,566	237		688	2,115
Biology Club	733	0		0	733
Academic Club	443	0		0	443
Robotics	1,581	1,000		0	2,581
ID Badges	0	0		0	0
Drama	2,653	0		0	2,653
Patches, Backpacks, Flashdrives	13,401	6,647	(10,180)	3,190	6,678
AP Club	59	0		0	59
Advanced Placement	2,232	0		0	2,232
Class of 2019	0	0	2,050	0	2,050
Healthcorps	2,901	0		0	2,901
Class of 2020	12,206	30	(17)	3,155	9,064
Film Club	2,523	0		0	2,523
Class of 2021	14,839	510	(17)	10,332	5,000
Chess Club	328	0		0	328
MS Student Council	782	30		0	812
AP US History Grant	575	0		0	575
Class of 2022	15,550	810	(17)	2,306	14,037
Project Lead The Way	2,992	0		0	2,992

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Activities</u>	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Transfers/ Adjustments</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
Class of 2023	\$ 16,853	935	(17)	0	17,771
Phone / Gum Dues	1,652	20	0	0	1,672
Summer School	7,025	690	0	0	7,715
ASTEC Scholarship Fund	0	0	0	0	0
Class of 2025	12,592	1,655	(17)	30	14,200
Music	631	0	0	0	631
HSA	37	0	0	0	37
Transportation	7,813	0	0	0	7,813
Class of 2026	4,436	1,425	(18)	30	5,813
Class of 2027	2,990	780	0	30	3,740
Class of 2028	1,380	2,295	0	118	3,557
Class of 2029	760	880	0	118	1,522
Class of 2030	500	565	0	118	947
Class of 2031	900	760	0	118	1,542
Class of 2032	645	785	0	118	1,312
Class of 2033	565	530	0	118	977
Class of 2034	560	800	0	118	1,242
Elementary	0	0	0	0	0
Class of 2035	0	680	0	0	680
TOTAL ASSETS - AGENCY FUNDS	\$ 216,814	42,579	4,925	42,883	221,435

LIABILITIES AND FUND BALANCE:

Funds held for school organizations	<u>\$ 216,814</u>	<u>42,579</u>	<u>4,925</u>	<u>42,883</u>	<u>221,435</u>
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS**

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	OCAS Project Number	Program or Award Amount	Balance at 7/01/2020	Revenue Collected	Total Expenditures	Balance at 6/30/2021
<u>U.S. Department of Education</u>							
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010	511	\$ 467,677		318,583	398,009	79,426
Title I-Part A, Improving Basic Programs 2019-20	84.010	799		125,177	125,177		
Special Education, Flowthrough, P.L. 105-17	84.027	621	187,761		172,574	187,761	15,187
Special Education, Flowthrough, P.L. 105-17 2019-20	84.027	799		30,986	30,986		
Special Education, District Professional Development	84.027	615	2,757		1,522	1,522	
Special Education, CARES Act	84.027	617	6,976		6,540	6,540	
Title II-Part A, Teacher & Principal Training	84.367	541	93,105		69,389	81,456	12,067
Title II-Part A, Teacher & Principal Training 2019-20	84.367	799		7,134	7,134		
Title III-Part A, English Language	84.365	572	47,614		34,874	42,458	7,584
Title III-Part A, English Language 2019-20	84.365	799		4,665	4,665		
Title IV-Part A, Student Support	84.424	552	29,161		18,976	19,093	117
*COVID-19 Education Stabilization Fund (ESF) -							
ESSERF / CARES Act	84.425D	788	312,817		215,181	276,966	61,785
ESSERF / CARES Act 2019-20	84.425D	799		13,783	13,783		
ESSER II	84.425D	793	1,420,921			721,868	721,868
Total COVID-19 ESF			1,733,738	13,783	228,964	998,834	783,653
Subtotal			2,568,789	181,745	1,019,384	1,735,673	898,034
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
*Child Nutrition Cluster -							
National School Lunch Program	10.555	763			266,162	375,943	74,236
School Breakfast Program	10.553	764		29,446	62,803	83,215	44,448
<u>Passed Through Department of Human Services</u>							
<u>Non-Cash Assistance - Commodities:</u>							
National School Lunch Program - Note 3	10.555	n/a			44,464	44,464	
Total For Program (Cluster)				29,446	373,429	503,622	118,684
<u>Other Federal Assistance:</u>							
Charter School Program Grant	84.282	770	411,082		406,741	411,082	4,341
Charter School Program Grant 2019-20	84.282	799		178,580	178,580		
Sub Total			411,082	178,580	585,321	411,082	4,341
Total Federal Assistance			\$ 2,979,871	389,771	1,978,134	2,650,377	1,021,059

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, 2021. 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 minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Non-Monetary Assistance - Commodities received by the District in the amount of \$44,464 were of a non-monetary nature and therefore the total revenue does not

**ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
RLI Insurance Co	Superintendent	LSM1179379	\$ 100,000	6/01/20 - 6/01/21
	Treasurer	LSM1277870	100,000	7/26/20 - 7/26/21
	Encumbrance Clerk	LSM1277814	1,000	7/26/20 - 7/26/21
	Minutes Clerk	LSM1150020	10,000	9/11/20 - 9/11/21
	Central Office Receptionist	LSM1150020	10,000	9/11/20 - 9/11/21
	Deputy Superintendent	LSM1150020	50,000	9/11/20 - 9/11/21
	Student Activities Coordinator	LSM1150020	10,000	9/11/20 - 9/11/21
	Middle School Secretary	LSM1150020	1,000	9/11/20 - 9/11/21
	High School Secretary	LSM1150020	1,000	9/11/20 - 9/11/21
	ERISA Fidelity Bond	LFM0034288	200,000	12/02/20 - 12/02/21
	Chief Executive Officer	LSM0349096	100,000	3/08/20 - 3/08/22

ASTEC CHARTER SCHOOL NO. G-004, OKLAHOMA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2020 TO JUNE 30, 2021

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 2020-21.

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

By 
Authorized Agent

Subscribed and sworn to before me
This 4th day of January, 2022


Notary Public (or Clerk or Judge)



My Commission Expires: 12/11/2024
Commission No. 20014980



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) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

January 4, 2022

Dr. Freda Deskin, CEO
ASTEC Charter School
2401 NW 23rd, Suite 39A
Oklahoma City, Oklahoma 73107

Dear Dr. Deskin:

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, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Purchase Orders

We observed in our audit that purchase orders were not in date-purchase order number sequence, indicating that purchase orders are being completed after an invoice is received, and being dated to match the invoice date. We recommend that all School obligations be encumbered prior to the actual purchase of materials or services, as required by Oklahoma Statutes. Also, purchase orders should never be dated anything other than the actual date they are issued.

Board Minutes

During our review of the Board minutes and agendas, we made the following observations:

- We observed that the minutes were not signed as approved by a majority of the board members present. Although this procedure is not required by Statute, We recommend this procedure be implemented in order to document Board of Education approval of all official minutes.
- We observed that individual board members' votes were not being recorded in the minutes. Although this procedure is not required by Statute, we recommend this procedure be implemented in order to document the Board of Education votes.
- We observed that the agendas did not state the place and the date/time where the agenda was posted, therefore we were unable to determine if the agenda was posted 24 hours prior to meeting. We recommend that the time, date, and place that the agenda is posted be specifically stated on the agenda.
- It appears the Board is properly approving encumbrances and payroll at each meeting, however, as an added internal control and to increase transparency to the Board, we recommend that the listed monthly encumbrances and payroll reports be provided to the Board at every meeting, and kept as part of the permanent minutes.
- We did not observe documentation of the notice to the County Clerk for the July 27, 2020 special meeting. We recommend that documentation be maintained of the notification to the County Clerk whenever the date on which a regularly scheduled board meeting is to be held is changed or when a special board meeting is scheduled.
- The calendar of regular meetings that is submitted to the County Clerk was based on the fiscal year dates (July-June), rather than a calendar year (January-December). We recommend that the regular meeting dates be prepared for the calendar year and that these dates be submitted to the County Clerk for each upcoming year by December 15th of the previous year.

We also recommend that the School maintain an official set of minutes for each meeting that would include the agenda, the approved minutes, and all pertinent attachments, such as the approved list of purchase orders, financial reports, any approved agreements or contracts etc.

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,



Christopher P. Gullekson

For

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLP