

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITORS'**

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

JUNE 30, 2013

Audited by

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OK**

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

BOARD OF DIRECTORS

Chairman	Curt Carmichael
Vice-Chairman	Don Parker
Treasurer	Lawrence Joiner
Secretary	Nick Doctor
Director	Dr. Curt Adams
Director	Shelly Armstrong
Director	Jim Bender
Director	Paula Bryant-Ellis
Director	Susan Harris
Director	Lance Tackett
Director	Chris Truesdell

Chief Executive Officer

John Wolfkill

SCHOOL TREASURER

Jack H. Jenkins

PRINCIPAL

Andrew McRae

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

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JUNE 30, 2013**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Education
KIPP Tulsa College Preparatory No. E-005
Tulsa County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the KIPP Tulsa College Preparatory No. E-005, Tulsa County, Oklahoma (the "School"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the School's regulatory 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 the 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 error or fraud.

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain 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 error or fraud. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the 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 reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on 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, 2013, or the changes in its financial position 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, 2013, and the revenues collected, expenditures paid and encumbered, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s combined financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the combined financial statements.

The combining financial statements 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated March 14, 2014, 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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 14, 2014

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS
ALL FUND TYPES
JUNE 30, 2013

	<u>GOVERNMENTAL FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u> <u>EXPENDABLE TRUST AND AGENCY FUNDS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>		
<u>ASSETS</u>			
Cash	\$ 283,916	352,899	636,815
Investments	-	564,188	564,188
Total Assets	<u>\$ 283,916</u>	<u>917,087</u>	<u>1,201,003</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Warrants payable	\$ 187,901	-	187,901
Encumbrances	11,825	-	11,825
Funds held for school organizations	-	264,250	264,250
Total liabilities	<u>199,726</u>	<u>264,250</u>	<u>463,976</u>
 Fund Balances			
Unassigned	<u>84,190</u>	<u>652,837</u>	<u>737,027</u>
Total Liabilities and Fund Balances	<u>\$ 283,916</u>	<u>917,087</u>	<u>1,201,003</u>

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCES - REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES	FIDUCIARY FUND TYPES	
	GENERAL	EXPENDABLE TRUST	TOTALS
Revenues collected:			
Local sources	\$ 104,153	1,337,427	1,441,580
Federal sources	719,602	-	719,602
Per capita sources	1,518,031	-	1,518,031
Non-revenue receipts	882,657	-	882,657
Total revenues collected	3,224,443	1,337,427	4,561,870
Expenditures:			
Instruction	1,291,539		1,291,539
Support services	1,657,103		1,657,103
Operation of non-instruction services	193,327		193,327
Other outlays	114	1,065,302	1,065,416
Total expenditures	3,142,083	1,065,302	4,207,385
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	82,360	272,125	354,485
Adjustments to prior year encumbrances	1,830	-	1,830
Excess of revenues collected over (under) expenditures	84,190	272,125	356,315
Fund balance, beginning of year	-	380,712	380,712
Fund balance, end of year	\$ 84,190	652,837	737,027

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

**COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues collected:			
Local sources	\$ 1,122,394	1,122,394	104,153
Federal sources	727,809	727,809	719,602
Per capital sources	1,514,857	1,514,857	1,518,031
Non-revenue receipts	-	-	882,657
Total revenues collected	3,365,060	3,365,060	3,224,443
Expenditures:			
Instruction	1,515,664	1,515,664	1,291,539
Support services	1,630,930	1,630,930	1,657,103
Operation of non-instruction services	193,327	193,327	193,327
Other outlays	25,139	25,139	114
Total expenditures	3,365,060	3,365,060	3,142,083
Excess of revenues collected over (under) expenditures before adjustments to prior year encumbrances	-	-	82,360
Adjustments to prior year encumbrances	-	-	1,830
Excess of revenues collected over (under) expenditures	-	-	84,190
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	-	84,190

The notes to the combined financial statements - regulatory basis are an integral part of this statement.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the KIPP Tulsa College Preparatory No. E-005, Tulsa County, Oklahoma (the "School") conform to the regulatory basis of accounting, which is an other comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with 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 and Related Parties

The School was formed under the provisions of the Oklahoma Charter Schools Act (Oklahoma Statutes 70-3-130) through a contract with Tulsa Public Schools No. 1-1, Tulsa County, Oklahoma ("TPS"), as its sponsoring organization. The School entered into a contract with TPS on January 17, 2012 and received subsequent approval from the Oklahoma State Department of Education to operate as a Charter School under TPS sponsorship. TPS receives all of the State Aid allocation and any other state-appropriated revenue generated by the students of the School and retains 5% of the State Aid allocations as a fee for administrative services rendered.

The governing body of the school is the Board of Directors which consists of not less than eight (8) and no more than twenty (20) members. The Board has general oversight authority over the affairs, funds, and property of the School. The School receives funding from local, state (as passed through TPS), and federal government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Board members are nominated by the existing Board members and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

B. Mission

The School's mission is "To empower all students with the academic, character, and life skills necessary to succeed in high school, college, and the competitive world beyond". The School is dedicated to preparing students from educationally underserved neighborhoods in Tulsa with the tools necessary for success in today's world.

C. Tax Status

The School's activities are reported for federal and Oklahoma tax purposes by KIPP Tulsa College Preparatory School, Inc. under the provisions of Internal Revenue Code Section 501(c)(3) and is generally exempt from income taxes. The School is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and has not recognized any unrelated business taxable income. As a result, no provision for federal or state income taxes is recognized in the accompanying financial statements. Management evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 740, Income Taxes* (Formerly FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes* and the provisions of ASC 450, *Contingencies*. Professional standards require certain disclosure about uncertain income tax positions. When tax returns are filed, it is probable that most tax positions would be sustained upon examination by taxing authorities. However, it is also possible that some positions might be subject to uncertainty. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the organization would be presented in other outlays in the statement of revenues, expenditures and changes in fund balances. Management does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, there is no open examination with either the Internal Revenue Service or state taxing authorities.

D. Measurement Focus

The accounts of the School are organized and operate on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Measurement Focus – cont'd

The School has the following fund types:

Governmental funds – are used to account for most of the School's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures or expenses 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 (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

General fund – is the primary operating fund of the School. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include state funding passed through the Oklahoma City Public School District, and various state and federal grants. Expenditures include all costs associated with the daily operations of the schools expect for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

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 "nonexpendable" 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.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

D. Measurement Focus – cont'd

Expendable trust fund – is the District's gifts fund. The gifts 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 District.

Agency fund – is custodial in nature and does not present results of operations or has a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund which is used to account for monies collected principally through fundraising efforts of the students and donations. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the School.

E. 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.
- 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 financial statements.
- Compensated absences are recorded as an expenditure and liability when the obligation is paid.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

E. Basis of Accounting and Presentation – cont'd

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned.

F. Assets, Liabilities, Fund Balances, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the School's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The School invests entirely in certificates of deposit, U. S. Treasury Securities, and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The School's financial instruments include cash and investments. The School's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund 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. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the School's financial statements. The cost of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The School has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board 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.

7. 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. None of the benefits are payable upon retirement or death. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Fund Balance Classifications

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 note receivables, 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.

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The fund balance should be reported as committed for 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.

Assigned Fund Balance – The fund balance should be reported as assigned for 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 – Unassigned fund balance is the residual classification for the general fund. This classification represents 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.

9. Local Revenues

Local sources of revenues include reimbursements and contributions.

10. 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 schools. For purposes of funding, a charter school is considered a site within the school district in which the charter school is located. A charter school is to receive from the sponsoring district, the state aid revenue generated by its students for the applicable year, less up to 5% of the total, which may be retained by the sponsoring school district as a fee for the administrative services rendered.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

F. Assets, Liabilities, Fund Balances, Revenue and Expenditures – cont'd

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 or additions of 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.

The aforementioned state revenues are apportioned to the School's general fund. State revenues received indirectly from Tulsa Public Schools are shown in the report as "Per Capita sources."

11. 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 pass through 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.

12. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Inter-fund eliminations have not been made in the aggregation of this data.

13. Resource Use Policy

It is the School's policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the School considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the School's policy when an expenditure is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the School considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

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. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

3. DETAILED NOTES CONCERNING THE FUNDS

Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the School holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the School holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School's name.

The School's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Schools in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the School must have a written collateral agreement approved by the board of directors or loan committee.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS – cont'd

Deposits and Investments – cont'd

At June 30, 2013 the School held deposits of approximately \$642,809 at financial institutions. The School's cash deposits, including interest-bearing accounts, were covered by \$250,000 Federal Depository Insurance (FDIC) and the remainder was secured with direct obligations of the U.S. Government insured or collateralized with securities held by the School or by its agent in the School's name. Therefore, the School was not exposed to custodial credit risk, as defined above. In addition, the School had investments of \$564,188 with an investment company.

Investment Credit Risk

The School has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities 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.
2. 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.
3. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
4. County, municipal or school debt obligations for which an ad valorem tax may be levied.
5. Warrants, bonds or judgments of the school.
6. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
7. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (1-6).

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS – cont’d

Deposits and Investments – cont’d

The cash and investments held at June 30, 2013 are as follows:

<u>Type</u>	<u>Weighted Average Maturity (Months)</u>	<u>Cost</u>	<u>Market Value</u>
Cash	N/A	\$ 636,815	636,815
Investments:	N/A		
Short-term cash fund		17,840	17,840
Equity funds		157,647	171,040
Fixed income funds		<u>389,933</u>	<u>375,308</u>
Totals		<u>\$ 1,202,235</u>	<u>1,201,003</u>

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The School has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The School had no investment credit risk as of June 30, 2013, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the School. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The School places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the School had no concentration of credit risk as defined above.

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013**

4. OTHER INFORMATION

A. 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 these risks have not exceeded the commercial insurance coverage in the past fiscal year.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, 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.

C. Employee Retirement System and Plan

Description of Plan

The School participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school Schools. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
June 30, 2013

4. OTHER INFORMATION – cont'd

C. Employee Retirement System and Plan - cont'd

Funding Policy

The School, the State of Oklahoma, and the participating employees make contributions. The contribution rates for the School and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.00% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate was 8.00%. Contributions received by the System from the State of Oklahoma are from 5.00% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The School's employer contribution rate was 9.50%. The School is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The School's total contributions, including the state offset, for 2013 was \$203,874.

D. Surety Bonds

The School currently carries employee dishonesty coverage in the amount of \$100,000, with a \$1,000 deductible, through their primary insurance policy with Philadelphia Insurance Companies, term beginning July 1, 2012 and ending July 1, 2013.

E. Subsequent Events

Subsequent events have been evaluated through March 14, 2014, which is the date the financial statements were available to be issued.

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2013**

	<u>EXPENDABLE TRUST FUND GIFTS FUND</u>	<u>AGENCY FUND ACTIVITY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 88,649	264,250	352,899
Investments	<u>564,188</u>	<u>-</u>	<u>564,188</u>
Total Assets	<u>\$ 652,837</u>	<u>264,250</u>	<u>917,087</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Funds held for school organizations	\$ -	264,250	264,250
Fund Balances			
Unassigned	<u>652,837</u>	<u>-</u>	<u>652,837</u>
Total Liabilities and Fund Balances	<u>\$ 652,837</u>	<u>264,250</u>	<u>917,087</u>

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>ASSETS</u>	<u>BALANCE</u> <u>7-01-12</u>	<u>ADDITIONS</u>	<u>ADJUST./</u> <u>TRANSFERS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6-30-13</u>
Cash	\$ 127,800	318,950	-	182,500	264,250
<u>LIABILITIES</u>					
Funds held for school organizations:					
5th Grade End of Year	\$ 24,550	39,838	-	24,388	40,000
6th Grade End of Year	4,500	16,054	-	6,554	14,000
7th Grade End of Year	6,000	43,307	-	14,307	35,000
8th Grade End of Year	6,050	47,129	-	18,179	35,000
8th Grade Dance/Prom	2,375	4,369	-	3,744	3,000
Drinking Water	580	660	-	615	625
Showtime Band	21,370	63,477	-	23,847	61,000
Staff Incentives	2,750	2,477	-	2,227	3,000
School Events/Parent	8,725	12,440	-	11,165	10,000
Bookstore/Student Union	8,750	10,822	-	8,572	11,000
Director's Discretionary	3,000	1,814	1,866	3,480	3,200
Student Leadership	350	812	-	687	475
AYSTAK	23,000	34,876	-	27,876	30,000
Student Needs	1,570	1,216	-	1,186	1,600
Monthly Field Lessons	9,500	12,165	-	11,665	10,000
Child Nutrition Clearing	-	15,490	-	15,490	-
Basketball	150	3,406	-	1,556	2,000
Cheerleading	80	4,098	-	3,928	250
Step Team	4,500	4,500	(1,866)	3,034	4,100
Total Liabilities	\$ 127,800	318,950	-	182,500	264,250

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass Through Grantor's Number</u>	<u>Approved Amount</u>	<u>Balance at July 1, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2013</u>
<u>U.S. Department of Education:</u>							
Direct Programs:							
Title VB, Public Charter School (10/01/12 - 9/30/13) *	84.282	U282B110098	\$ 179,000	-	144,871	157,534	21,466
Title VB, Public Charter School (10/01/11 - 9/30/12) *	84.282	U282B110098	<u>177,000</u>	<u>100,269</u>	<u>126,583</u>	<u>100,269</u>	-
Sub Total			<u>356,000</u>	<u>100,269</u>	<u>271,454</u>	<u>257,803</u>	<u>21,466</u>
Passed Through State Department of Education:							
Title I *	84.010	S010A120036	125,713	-	116,732	122,018	3,695
Title IIA, Teacher and Principal Training and Recruitment *	84.367	S367A120035	21,946	-	21,946	21,946	-
IDEA-B Flow Through	84.027	H027A120051	<u>59,802</u>	<u>-</u>	<u>59,802</u>	<u>59,802</u>	-
Sub Total			<u>207,461</u>	<u>-</u>	<u>198,480</u>	<u>203,766</u>	<u>3,695</u>
<u>U.S. Department of Agriculture:</u>							
Passed Through State Department of Human Services:							
National School Lunch Program	10.555				150,008	150,008	
National School Lunch Program - Commodities - Note 1	10.555				605	605	
School Breakfast Program	10.553				<u>36,643</u>	<u>36,643</u>	
Sub Total					<u>187,256</u>	<u>187,256</u>	
<u>Other Federal Assistance:</u>							
Passed Through KIPP Foundation:							
I3 Grant: Investing in Innovation	84.396A	U396A100031	56,710	-	28,862	45,482	11,228
I3 Grant: Investing in Innovation 2011-12 - Note 2	84.396A	U396A100031	-	-	32,055	-	-
I3 Grant: Investing in Innovation: Travel Stipend Sub-Grant	84.396A	U396A100031	<u>2,100</u>	<u>-</u>	<u>2,100</u>	<u>2,100</u>	-
Sub Total			<u>58,810</u>	<u>-</u>	<u>63,017</u>	<u>47,582</u>	<u>11,228</u>
Total Expenditures of Federal Awards			<u>\$ 622,271</u>	<u>100,269</u>	<u>720,207</u>	<u>696,407</u>	<u>36,389</u>

Note 1: This amount represents federal non-cash assistance received in the form of commodities.

Note 2: This amount represents reimbursement for prior year expenditures which was not received until the current fiscal year.

Note 3: Commodities received in the amount of \$605 were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

* - Major program

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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
KIPP Tulsa College Preparatory No. E-005
Tulsa County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of the KIPP Tulsa College Preparatory No. E-005, Tulsa County, Oklahoma (the "School"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's combined financial statements and have issued our report thereon dated March 14, 2014. The report on these financial statements was adverse because the School has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 14, 2014

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

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Members

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Oklahoma Society of Certified Public Accountants

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

The Honorable Board of Education
KIPP Tulsa College Preparatory No. E-005
Tulsa County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the KIPP Tulsa College Preparatory No. E-005, Tulsa, Tulsa County, Oklahoma's (the "School'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 School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards 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 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, 2013.

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 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 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 for 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.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 14, 2014

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Adverse
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
• Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Numbers

84.282
84.010
84.367

Name of Federal program or Cluster

Title VB, Public Charter School
Title I
Title IIA, Teacher and Principal Training and Recruitment

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Findings Related to Financial Reporting

There were no material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Section III – Findings Related to Federal Awards Compliance

There were no findings or questioned costs, or material weakness or reportable conditions in internal control that are required to be reported.

**KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no prior year findings or questioned costs.

KIPP TULSA COLLEGE PREPARATORY NO. E-005
Tulsa County, Oklahoma

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR THE YEAR ENDING JUNE 30, 2013

State of Oklahoma)
)ss
County of Pottawatomie)

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountants' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with the KIPP Tulsa College Preparatory for the audit year 2012-13.

Wilson, Dotson & Associates, P.L.L.C.
Auditing Firm

Ramona R. Dotson

by _____
Authorized Agent

Subscribed and sworn to before me this 14th day of March, 2014.

Lisa Cook

Notary Public (Commission #11002236)
My commission expires March 10, 2015

