

ST. MARY'S CHARTER SCHOOL
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

ST. MARY'S CHARTER SCHOOL

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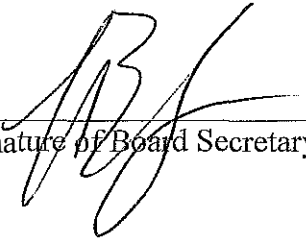
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**ST. MARY'S CHARTER SCHOOL
(COUNTY-DISTRICT NUMBER: 013-801)
CERTIFICATE OF BOARD**

We, the undersigned, certify that the attached Annual Financial and Compliance Report of St. Mary's Charter School was reviewed and (check one) approved disapproved for the years ended August 31, 2016 and 2015, at a meeting of the governing body on the 8th day of December, 2016.



Signature of Board Secretary



Signature of Board President

NOTE: If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5422 Holly Rd
Holly-Staples Square
Corpus Christi, Texas 78411
Office (361)980-0428 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Mary's Charter School
Beeville, Texas

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary's Charter School (a non-profit organization) which comprise the statement of financial position as of August 31, 2016 and 2015 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 of 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 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 of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary's Charter School as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of St. Mary's Charter School, taken as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of St. Mary's Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 St. Mary's Charter School's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
December 8, 2016

FINANCIAL SECTION

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ST. MARY'S CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 and 2015

Exhibit A-1

<i>Assets</i>	2016	2015
Current assets		
Cash and cash equivalents	\$ 1,144,457	\$ 964,454
Inventory	2,121	3,812
Grants receivable	387,441	409,683
Due from other funds	3,231	1,054
Other receivables	17,958	18,630
Prepaid expenses	65,254	48,153
Total current assets	1,620,462	1,445,786
Property and equipment at cost, net	3,124,043	3,196,509
Total assets	\$ 4,744,505	\$4,642,295
<i>Liabilities and Net Assets</i>		
Current liabilities		
Accounts payable	\$ 51,998	\$ 71,561
Accrued wages payable	305,937	250,758
Due to other funds	3,231	1,054
Deferred revenue	6,514	4,768
Other liabilities	25,626	32,700
Notes payable - current portion	71,558	68,522
Total current liabilities	464,864	429,363
Noncurrent liabilities		
Notes payable	1,387,313	1,457,707
Total noncurrent liabilities	1,387,313	1,457,707
Total liabilities	1,852,177	1,887,070
Net assets		
Unrestricted	262,437	257,923
Temporarily restricted	2,629,891	2,497,302
Total net assets	2,892,328	2,755,225
Total liabilities and net assets	\$ 4,744,505	\$4,642,295

The accompanying notes are an integral part of these financial statements.

**ST. MARY'S CHARTER SCHOOL
STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015**

Exhibit A-2

SUPPORT AND REVENUE:	Unrestricted	Temporarily Restricted	2016	2015
Local Support				
5720 Revenue from Local Sources	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	58,211	-	58,211	66,136
5750 Revenues from Cocurricular, Enterprising	108,139	-	108,139	77,977
Total local support	<u>166,350</u>	<u>-</u>	<u>166,350</u>	<u>144,113</u>
State program revenues				
5810 Foundation School Program Act Revenues	-	3,740,788	3,740,788	3,596,792
5820 State Program Revenues Distributed by Texas Education Agency	-	61,865	61,865	35,777
5830 Other State Program Revenues	-	-	-	-
Total state program revenues	<u>-</u>	<u>3,802,653</u>	<u>3,802,653</u>	<u>3,632,569</u>
Federal Program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	770,056	770,056	782,415
5940 Federal Revenues Distributed Directly from the Federal Government	-	11,607	11,607	14,467
Total federal program revenues	<u>-</u>	<u>781,663</u>	<u>781,663</u>	<u>796,882</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	4,451,727	(4,451,727)	-	-
Total support and revenue	<u>4,618,077</u>	<u>132,589</u>	<u>4,750,666</u>	<u>4,573,564</u>
EXPENSES				
0011 Instructional	2,281,781	-	2,281,781	2,161,436
0012 Instructional Resources and Media Services	45,669	-	45,669	43,892
0013 Curriculum and Staff Development	48,443	-	48,443	38,669
0021 Instructional Leadership	173,832	-	173,832	190,927
0023 School Leadership	195,193	-	195,193	179,364
0031 Guidance, Counseling, and Evaluation Services	104,953	-	104,953	87,292
0033 Health Services	9,285	-	9,285	4,527
0034 Student (Pupil) Transportation	2,740	-	2,740	1,700
0035 Food Services	305,850	-	305,850	308,881
0036 Extracurricular Activities	197,153	-	197,153	221,541
0041 General Administration	414,347	-	414,347	398,054
0051 Plant Maintenance and Operation	606,227	-	606,227	607,047
0052 Security	9,106	-	9,106	7,772
0053 Data Processing Services	56,326	-	56,326	54,536
0061 Community Services	26,708	-	26,708	14,845
0071 Debt Service-Interest	69,424	-	69,424	78,909
0081 Fund Raising	66,526	-	66,526	53,422
Total expenses	<u>4,613,563</u>	<u>-</u>	<u>4,613,563</u>	<u>4,452,814</u>
Change in net assets	4,514	132,589	137,103	120,750
Losses-Disposal of Assets	-	-	-	-
Net assets, beginning of year	<u>257,923</u>	<u>2,497,302</u>	<u>2,755,225</u>	<u>2,634,475</u>
NET ASSETS, END OF YEAR	<u>\$ 262,437</u>	<u>\$ 2,629,891</u>	<u>\$2,892,328</u>	<u>\$2,755,225</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY'S CHARTER SCHOOL
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Foundation School Program Payments	\$ 3,679,146	\$ 3,576,137
Local support	167,021	135,179
Federal and state grants	927,412	748,879
Payments to vendors for goods and services rendered	(1,149,871)	(1,016,234)
Payments to charter school personnel for services rendered	(3,278,428)	(3,197,992)
Interest payments	(69,424)	(78,909)
Net cash provided by operating activities	275,856	167,060
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of asset	-	-
Purchase of property and equipment	(28,495)	(16,240)
Net cash provided by investing activities	(28,495)	(16,240)
CASH FLOW FROM FINANCING ACTIVITIES :		
Issuance of debt	-	-
Repayment of debt	(67,358)	(57,873)
Net cash provided by financing activities	(67,358)	(57,873)
NET INCREASE IN CASH AND CASH EQUIVALENTS	180,003	92,947
Cash and Cash Equivalents - beginning of year	964,454	871,507
Cash and Cash Equivalents - end of year	\$ 1,144,457	\$ 964,454
Reconciliation of change in net assets to net cash provided		
by operating activities:		
Change in net assets	\$ 137,103	\$ 120,750
Adjustments to reconcile change in net assets to net		
cash provided by operating activities:		
Depreciation	100,961	97,936
(Increase) decrease in inventory	1,691	2,391
(Increase) decrease in grants receivable	22,242	(104,436)
(Increase) decrease in due from other funds	(2,177)	993
(Increase) decrease in other receivables	672	(8,934)
(Increase) decrease in prepaid expenses	(17,101)	13,756
Increase (decrease) in accounts payable	(19,563)	31,894
Increase (decrease) in accrued wages payable	55,179	10,772
Increase (decrease) in due to other funds	2,177	(993)
Increase (decrease) in deferred revenue	1,746	(291)
Increase (decrease) in other liabilities	(7,074)	3,222
Net cash provided by operating activities	\$ 275,856	\$ 167,060

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

1. ORGANIZATION

St. Mary's Charter School (the corporation) is a not-for-profit organization incorporated in the State of Texas in 2001 and is exempt from federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code. The corporation is governed by a board of directors comprised of six members. The board of directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions. The board of directors has the primary accountability for the fiscal affairs of the corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Mary's Charter School (the corporation), d.b.a. St. Mary's Academy Charter School were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. Basis of Accounting

The Charter School accounts for all transactions on the accrual method of accounting for the years-end reporting purposes.

B. Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows

- **Unrestricted** – net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted** - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Permanently restricted** – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No.116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

D. Cash and Cash Equivalents

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of six months or less to be cash equivalents.

E. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to forty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

F. Use of Estimates

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

3. CASH AND CASH EQUIVALENTS

At August 31, 2016 the carrying amount of the Charter School's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$1,144,457.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

3. CASH AND CASH EQUIVALENTS (Continued)

St. Mary's Charter School bank balance of \$1,175,383 was within the contracted depository banks consisting of the following:

First National Bank of Beeville	\$ 4,674
Prosperity Bank (Beeville Branch) Activity Fund	51,105
Prosperity Bank (Beeville Branch) Cafeteria Fund	4,250
Prosperity Bank (Beeville Branch) Operating Fund	104,784
Prosperity Bank (Beeville Branch) Money Market	<u>1,010,570</u>
Total	<u>\$1,175,383</u>

The bank deposits at First National Bank of Beeville were all fully secured at the balance sheet date by FDIC coverage of \$250,000 per each bank. There were securities pledged at Prosperity Bank to secure the balance in the accounts above the FDIC coverage of \$250,000.

4. CAPITAL ASSETS

Capital assets at August 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 3,688,006	\$ 3,659,511
Vehicles and equipment	99,422	192,861
Library books and media	23,682	36,691
Total property and equipment	<u>3,811,110</u>	<u>3,889,063</u>
Less: accumulated depreciation	<u>687,067</u>	<u>692,554</u>
Property and equipment, net	<u>\$ 3,124,043</u>	<u>\$ 3,196,509</u>

Capital assets acquired with public funds received by the corporation for the operation of St. Mary's Academy Charter School constitute public property pursuant to Chapter 12 of the Texas Education Code. All capital assets of the corporation are pledged as security for the loan payable to Self-Help Credit Union.

5. LINE OF CREDIT

The charter holder entered into a line of credit on September 8, 2015 for \$100,000 to expire at September 8, 2016. The balance on the loan at August 31, 2016 was \$0. The line of credit was renewed September 27, 2016 for \$400,000.

6. LONG TERM DEBT

Long-term debt at August 31, 2016 consists of the following:

The charter holder entered into a construction loan on November 7, 2008 in the amount of \$1,130,000 for a multi-purpose building and a play pavilion. The interest rate of the loan is 5.13%, which changed to 4.25% in July, 2015 with a maturity date of September 1, 2029, secured by real undeveloped, real estate commercial-multiple parcels together with all buildings and other improvements now or hereafter erected thereon, and all personal property now owned or hereafter acquired to include equipment, inventory, investments, fixtures, general intangibles, deposit accounts, chattel paper, documents, and accounts receivable. Monthly payments are \$7,585.32. Payments began after completion of the construction on October 1, 2009. The balance at August 31, 2016 was \$853,602.18.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

6. LONG TERM DEBT (continued)

The charter holder entered into a construction loan on July 19, 2013 in the amount of \$640,000 for the third grade and library building. The initial interest rate of the loan is 5.02% with a maturity date of May 1, 2038, secured by real undeveloped, real estate commercial-multiple parcels together with all buildings and other improvements now or hereafter erected thereon, and all personal property now owned or hereafter acquired to include equipment, inventory, investments, fixtures, general intangibles, deposit accounts, chattel paper, documents, and accounts receivable. The payments of principal and interest started March 1, 2014 in the amount of \$3,813.23. The balance at August 31, 2016 was \$605,268.45.

Year ended August 31	Principal	Interest	Total
2017	\$ 71,558	\$ 65,225	\$ 136,783
2018	74,785	61,998	136,783
2019	78,159	58,624	136,783
2020	81,686	55,097	136,783
2021	85,374	51,409	136,783
Thereafter	1,067,309	335,888	1,403,197
	<u>\$ 1,458,871</u>	<u>\$ 628,241</u>	<u>\$ 2,087,112</u>

7. HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of the charter holder were covered by a Health Insurance Plan (the Plan). The charter holder contributed \$305 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2016 and 2015 consisted of the following:

	2016	2015
State Funded Temporarily Restricted Net Assets	\$ 2,548,483	\$ 2,433,932
Federal NSLP	2,120	3,812
Campus Activity Net Asset Class	79,288	59,558
Total	<u>\$ 2,629,891</u>	<u>\$ 2,497,302</u>

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

9. COMMITMENTS AND CONTINGENCIES

The charter holder receives funds through state and federal grant programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

10. OTHER RECEIVABLES

Other Receivables at August 31, 2016 of \$17,958 consists of Time Warner for \$6,128, Surety Placement Services for \$552, Adult and Student Meals for \$4,052, Lois Virata for \$190, Wal-Mart gift card for \$2, Yearbooks for \$406, Worker's Compensation Audit for \$1,059, and subsidize NSLP loss for \$5,569.

11. CONTRIBUTED SERVICES

The fair value of contributed services is not recognized as revenues as their value cannot be estimated. Contributed services were for various activities associated in and around daily school functions including fundraising activities.

12. PREPAID EXPENSES

Prepaid expenses of \$65,254 consist of the following: insurance - \$25,926, payroll expenses - \$3,777, website support - \$3,600, software expense - \$23,267, security deposit - \$175, conference expense - \$2,100, fundraising expense - \$157, telephone expense - \$207, rent - \$6,000, and subscriptions expense - \$45. The charter holder records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

13. PENSION DISCLOSURE

Plan Description

The Charter School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. The plan is different from a single-employer plan in that the charter schools are legally separate entities from the state and each other. The assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter and there is no withdrawal penalty for leaving the TRS system. There is no collective bargaining agreement and a funding improvement plan or rehabilitation plan is not applicable.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

13. PENSION DISCLOSURE (continued)

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Name of Plan: Teacher Retirement System of Texas		
Plan Number: N/A		
Zone status: Unknown		
	(Dollars in Thousands)	
	2015	2014
1. Total Plan Assets	\$ 149,780,062	\$ 157,261,707
2. Accumulated Benefit Obligations	\$ 163,887,375	159,496,076
3. The plans funded %	78.43%	83.25%

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

13. PENSION DISCLOSURE (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2015.

	<u>Contribution Rate</u>	
	<u>2016</u>	<u>2015</u>
Member	7.2%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

	<u>2016</u>	<u>2015</u>
Employer Contributions	\$ 27,950	\$ 27,915
Employer Surcharges	\$ 6,679	\$ 8,421
Member Contributions	\$173,781	\$154,922
Non-Employer Contributing Entity (State)	\$136,057	\$129,319

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

13. PENSION DISCLOSURE (continued)

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

There have been no significant changes that would affect the comparison of employer contributions from year to year. Information regarding the plan may be found at the TRS website at www.trs.state.tx.us. The TRS posts the Comprehensive Annual Financial Report (CAFR) every year on its website.

The charter school did not contribute to any other defined benefit pension plans.

14. DEFERRED REVENUE AND OTHER LIABILITIES

Deferred revenue of \$6,514 consists of revenue received this year for a next fiscal year grant - \$681, student activity revenue - \$426, cafeteria lunch money - \$2,469, after school contributions - \$2,190 and staff funeral flowers allotment - \$748. Other liabilities of \$25,626 consist of various payroll liabilities including payroll taxes - \$66, teacher retirement liabilities - \$17,674, state unemployment taxes - \$571, and due to employees - \$7,315.

15. OPERATING LEASES

The charter holder has a non-cancelable operating lease for two copiers with payments of \$535 entered into in December 2010 for 60 months and a second lease for two copiers entered into in October 2013 for 60 months with payments of \$1,162.78. The charter holder entered into a new non-cancelable lease to replace the original two copiers in January 2016 for 60 months with payments of \$555. Total costs for the three leases were \$19,443.36 for the year ended August 31, 2016. The future minimum lease payments for these leases are as follows:

Year Ended August 31,	<u>Amount</u>
2017	20,613
2018	20,613
2019	7,823
2020	6,660
2021	<u>2,775</u>
Total	<u>\$58,484</u>

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

15. OPERATING LEASES (continued)

On November 4, 2008, the charter holder entered into a non-cancellable operating lease for school facilities for ten years through August 31, 2018. The total cost for the lease was \$72,000 for the year ended August 31, 2016. The future minimum lease payments for this lease are as follows:

Year Ended August 31	<u>Amount</u>
2017	72,000
2018	<u>72,000</u>
Total	<u>\$ 144,000</u>

16. GRANTS RECEIVABLE

The grants receivable at August 31, 2016 are for various federal and state grants received by the corporation and are 100 percent collectible as they were all received in the subsequent year and therefore there was no allowance for doubtful accounts at year end.

17. EVALUATION OF SUBSEQUENT EVENTS

The charter holder has evaluated subsequent events through December 8, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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ST. MARY'S ACADEMY CHARTER SCHOOL **Exhibit B-1**
STATEMENTS OF FINANCIAL POSITION FOR INDIVIDUAL CHARTER SCHOOL
AUGUST 31, 2016 and 2015

<i>Assets</i>	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,144,457	\$ 964,454
Inventory	2,121	3,812
Grants receivable	387,441	409,683
Due from other funds	3,231	1,054
Other receivables	17,958	18,630
Prepaid expenses	65,254	48,153
Total current assets	1,620,462	1,445,786
Property and equipment at cost, net	3,124,043	3,196,509
Total assets	\$ 4,744,505	\$4,642,295
<i>Liabilities and Net Assets</i>		
Current liabilities		
Accounts payable	\$ 51,998	\$ 71,561
Accrued wages payable	305,937	250,758
Due to other funds	3,231	1,054
Deferred revenue	6,514	4,768
Other liabilities	25,626	32,700
Notes payable - current portion	71,558	68,522
Total current liabilities	464,864	429,363
Noncurrent liabilities		
Notes payable	1,387,313	1,457,707
Total noncurrent liabilities	1,387,313	1,457,707
Total liabilities	1,852,177	1,887,070
Net assets		
Unrestricted	262,437	257,923
Temporarily restricted	2,629,891	2,497,302
Total net assets	2,892,328	2,755,225
Total liabilities and net assets	\$ 4,744,505	\$4,642,295

ST. MARY'S ACADEMY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

Exhibit B-2

	Unrestricted	Temporarily Restricted	2016	2015
SUPPORT AND REVENUE:				
Local Support				
5720 Revenues from Local Sources	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	58,211	-	58,211	66,136
5750 Revenues from Cocurricular, Enterprising	108,139	-	108,139	77,977
Total local support	166,350	-	166,350	144,113
State program revenues				
5810 Foundation School Program Act Revenues	-	3,740,788	3,740,788	3,596,792
5820 State Program Revenues Distributed by Texas Education Agency	-	61,865	61,865	35,777
5830 Other State Program Revenues	-	-	-	-
Total state program revenues	-	3,802,653	3,802,653	3,632,569
Federal Program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	770,056	770,056	782,415
5940 Federal Revenues Distributed Directly from the Federal Government	-	11,607	11,607	14,467
Total federal program revenues	-	781,663	781,663	796,882
Net assets released from restrictions:				
Restrictions satisfied by payments	4,451,727	(4,451,727)	-	-
Total support and revenue	4,618,077	132,589	4,750,666	4,573,564
EXPENSES				
0011 Instructional	2,281,781	-	2,281,781	2,161,436
0012 Instructional Resources and Media Services	45,669	-	45,669	43,892
0013 Curriculum and Staff Development	48,443	-	48,443	38,669
0021 Instructional Leadership	173,832	-	173,832	190,927
0023 School Leadership	195,193	-	195,193	179,364
0031 Guidance, Counseling, and Evaluation Services	104,953	-	104,953	87,292
0033 Health Services	9,285	-	9,285	4,527
0034 Student (Pupil) Transportation	2,740	-	2,740	1,700
0035 Food Services	305,850	-	305,850	308,881
0036 Extracurricular Activities	197,153	-	197,153	221,541
0041 General Administration	414,347	-	414,347	398,054
0051 Plant Maintenance and Operation	606,227	-	606,227	607,047
0052 Security	9,106	-	9,106	7,772
0053 Data Processing Services	56,326	-	56,326	54,536
0061 Community Services	26,708	-	26,708	14,845
0071 Debt Service-Interest	69,424	-	69,424	78,909
0081 Fund Raising	66,526	-	66,526	53,422
Total expenses	4,613,563	-	4,613,563	4,452,814
Change in net assets	4,514	132,589	137,103	120,750
Losses-Disposal of Assets	-	-	-	-
Net assets, beginning of year	257,923	2,497,302	2,755,225	2,634,475
NET ASSETS, END OF YEAR	\$ 262,437	\$ 2,629,891	\$2,892,328	\$2,755,225

ST. MARY'S ACADEMY CHARTER SCHOOL
STATEMENTS OF CASH FLOW FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

Exhibit B-3

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Foundation School Program Payments	\$ 3,679,146	\$ 3,576,137
Local support	167,021	135,179
Federal and state grants	927,412	748,879
Payments to vendors for goods and services rendered	(1,149,871)	(1,016,234)
Payments to charter school personnel for services rendered	(3,278,428)	(3,197,992)
Payments for interest	(69,424)	(78,909)
Net cash provided by operating activities	275,856	167,060
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of asset	-	-
Purchase of property and equipment	(28,495)	(16,240)
Net cash provided by investing activities	(28,495)	(16,240)
CASH FLOW FROM FINANCING ACTIVITIES :		
Issuance of debt	-	-
Repayment of debt	(67,358)	(57,873)
Net cash provided by financing activities	(67,358)	(57,873)
NET INCREASE IN CASH AND CASH EQUIVALENTS	180,003	92,947
Cash and Cash Equivalents - beginning of year	964,454	871,507
Cash and Cash Equivalents - end of year	\$ 1,144,457	\$ 964,454
Reconciliation of change in net assets to net cash provided		
by operating activities:		
Change in net assets	\$ 137,103	\$ 120,750
Adjustments to reconcile change in net assets to net		
cash provided by operating activities:		
Depreciation	100,961	97,936
(Increase) decrease in inventory	1,691	2,391
(Increase) decrease in grants receivable	22,242	(104,436)
(Increase) decrease in due from other funds	(2,177)	993
(Increase) decrease in other receivables	672	(8,934)
(Increase) decrease in prepaid expenses	(17,101)	13,756
Increase (decrease) in accounts payable	(19,563)	31,894
Increase (decrease) in accrued wages payable	55,179	10,772
Increase (decrease) in due to other funds	2,177	(993)
Increase (decrease) in deferred revenue	1,746	(291)
Increase (decrease) in other liabilities	(7,074)	3,222
Net cash provided by operating activities	\$ 275,856	\$ 167,060

ST. MARY'S ACADEMY CHARTER SCHOOL
SCHEDULES OF EXPENSES FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

EXHIBIT C-1

Expenses	2016	2015
6100 Payroll Costs	\$ 3,333,607	\$ 3,208,764
6200 Professional and Contracted Services	468,161	454,565
6300 Supplies and Materials	484,028	460,293
6400 Other Operating Costs	258,343	250,283
6500 Debt	69,424	78,909
Total Expenses	\$ 4,613,563	\$ 4,452,814

ST. MARY'S ACADEMY CHARTER SCHOOL **EXHIBIT D-1**
SCHEDULE OF CAPITAL ASSETS FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2016

	Ownership Interest		
	Local	State	Federal
1520 Building and Improvements	\$ 53,094	\$ 3,399,352	\$ 235,560
1531 Vehicles	-	7,400	-
1539 Furniture and Equipment	16,240	30,118	37,735
1549 Other Equipment	-	4,143	3,786
1569 Library Books and Media	-	-	23,682
Total Property and Equipment	<u>\$69,334</u>	<u>\$3,441,013</u>	<u>\$300,763</u>

ST. MARY'S ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2016 and 2015

Exhibit E-1

	Budgeted Amounts		2016 Actual Amount	Variance from Final Budget	2015 Actual Amount
	Original	Final			
Revenues					
Local Support:					
5720 Revenues from Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	61,140	64,514	58,211	(6,303)	66,136
5750 Revenues from Cocurricular, Enterprising	83,915	107,420	108,139	719	77,977
Total Local Support	<u>145,055</u>	<u>171,934</u>	<u>166,350</u>	<u>(5,584)</u>	<u>144,113</u>
State program revenues					
5810 Foundation School Program Act Revenues	3,659,877	3,747,737	3,740,788	(6,949)	3,596,792
5820 State Program Revenues Distributed by Texas Education Agency	41,535	62,905	61,865	(1,040)	35,777
5830 State Program Revenues Distributed by Government Agency	-	-	-	-	-
Total State Program Revenues	<u>3,701,412</u>	<u>3,810,642</u>	<u>3,802,653</u>	<u>(7,989)</u>	<u>3,632,569</u>
Federal program revenues:					
5920 Federal Revenues Distributed by the Texas Education Agency	742,109	794,189	770,056	(24,133)	782,415
5940 Federal Revenues Distributed Directly from the Federal Government	13,228	13,228	11,607	(1,621)	14,467
Total Federal Program Revenues	<u>755,337</u>	<u>807,417</u>	<u>781,663</u>	<u>(25,754)</u>	<u>796,882</u>
Total Revenues	<u>4,601,804</u>	<u>4,789,993</u>	<u>4,750,666</u>	<u>(39,327)</u>	<u>4,573,564</u>
Expenses					
11 Instructional	2,308,577	2,323,600	2,281,781	41,819	2,161,436
12 Instructional Resources and Media Services	50,359	47,447	45,669	1,778	43,892
13 Curriculum Development and Instructional Staff Development	45,106	53,945	48,443	5,502	38,669
21 Instructional Leadership	178,233	176,675	173,832	2,843	190,927
23 School Leadership	192,264	203,346	195,193	8,153	179,364
31 Guidance, Counseling and Evaluation Services	91,247	112,239	104,953	7,286	87,292
33 Health Services	6,885	9,978	9,285	693	4,527
34 Student (Pupil) Transportation	1,990	3,510	2,740	770	1,700
35 Food Services	305,567	311,882	305,850	6,032	308,881
36 Cocurricular/Extracurricular Activities	215,763	211,067	197,153	13,914	221,541
41 General Administration	419,497	426,768	414,347	12,421	398,054
51 Plant Maintenance and Operations	605,066	632,235	606,227	26,008	607,047
52 Security and Monitoring Services	9,811	9,187	9,106	81	7,772
53 Data Processing Services	66,314	60,350	56,326	4,024	54,536
61 Community Services	29,632	27,301	26,708	593	14,845
71 Debt Service-Interest	76,271	71,771	69,424	2,347	78,909
81 Fund Raising	50,874	67,658	66,526	1,132	53,422
Total Expenses	<u>4,653,456</u>	<u>4,748,959</u>	<u>4,613,563</u>	<u>135,396</u>	<u>4,452,814</u>
Change in Net Assets	<u>(51,652)</u>	<u>41,034</u>	<u>137,103</u>	<u>96,069</u>	<u>120,750</u>
Losses - Disposal of Assets	(500)	(500)	-	500	-
Net Assets, beginning of year	<u>2,755,225</u>	<u>2,755,225</u>	<u>2,755,225</u>	<u>-</u>	<u>2,634,475</u>
Net Assets, end of year	<u>\$2,703,073</u>	<u>\$ 2,795,759</u>	<u>\$ 2,892,328</u>	<u>\$ 96,569</u>	<u>2,755,225</u>

**COMPLIANCE
AND
INTERNAL CONTROL SECTION**

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5422 Holly Rd.
Holly-Staples Square
Corpus Christi, Texas 78411
(361)980-0428 Fax (361)980-1002

**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**

Board of Directors
St. Mary's Charter School

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 financial statements of St. Mary's Charter School (a non-profit organization) which comprise the statement of financial position as of August 31, 2016, and related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Mary's Charter 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Mary's Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Mary's Charter 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 considered 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 St. Mary's Charter School's financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
December 8, 2016

Raul Hernandez & Company, P.C.

Certified Public Accountants

5422 Holly Rd.

Holly-Staples Square

Corpus Christi, Texas 78411

Office (361)980-0428 Fax (361)980-1002

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors
St. Mary's Charter School

Report of Compliance for Each Major Federal Program

We have audited St. Mary's Charter 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 St. Mary's Charter School's major federal programs for the year ended August 31, 2016. St. Mary's Charter 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each St. Mary's Charter 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 the 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 St. Mary's Charter 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 St. Mary's Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, St. Mary's Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

Management of St. Mary's Charter 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 St. Mary's Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the 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 St. Mary's Charter 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 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 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.

Raul Hernandez & Company, P.C.

December 8, 2016

St. Mary's Charter School

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Type of auditor's report issued on compliance for major programs	Unmodified
6. Findings disclosed by the audit of the financial statements which the auditor is required to report in accordance with 2 CFR section 200.516(a)	None
7. Major Program	
National School Breakfast Program (10.553)	
National School Lunch Program (10.555)	
8. The dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
9. Auditee qualified as a low-risk auditee	Yes

II. Findings related to the Financial Statements which are required to be reported in accordance with generally accepted government auditing standards.

A. Questioned Costs: \$ 0.

III. Findings and questioned costs for state and federal awards.

None identified

**St. Mary's Charter School
Schedule of Prior Audit Findings**

For the year ended August 31, 2016

I. Status of Prior Year Findings:

None

**St. Mary's Charter School
Corrective Action Plan**

For the year ended August 31, 2016

N/A

ST. MARY'S ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Exhibit H-1

<i>SOURCE AND TITLE OF GRANT</i>	FEDERAL CFDA NUMBER	GRANTOR'S/ PASS- THROUGH NUMBER	FEDERAL EXPENDITURES
<i>FEDERAL AWARDS</i>			
<i>U.S. Department of Education</i>			
Rural Education Achievement Program Fiscal Year 2016	84.358A	S358A154836	\$ 11,607
Passed Through			
Texas Education Agency			
ESEA Title I, Part A-Improving Basic Programs Fiscal Year 2016	84.010A	16610101013801	129,216
Fiscal Year 2017		17610101013801	13,381
			<u>142,597</u>
Special Education Grants to States - IDEA- B Formula			
Fiscal Year 2016	84.027A	166600010138016600	55,681
Fiscal Year 2017		176600010138016600	2,768
			<u>58,449</u>
ESEA Title II Part A-Teacher and Principal Training and Recruiting			
Fiscal Year 2016	84.367A	16694501013801	30,427
Fiscal Year 2017		17694501013801	2,558
			<u>32,985</u>
Special Education Grants - IDEA-B Preschool			
21st CCLC Cycle 7 Year 5	84.173A	166610010138016610	1,631
	84.287C	166950167110005	279,291
Total U.S. Department of Education			<u>526,560</u>
<i>U.S. Department of Agriculture</i>			
Passed Through			
Texas Education Agency			
National School Breakfast Program	10.553	71401601	64,515
National School Lunch Program	10.555	71301601	172,971
National School Lunch Program -Non-cash assistance (commodities)	10.555	71301601	17,617
Total U.S. Department of Agriculture			<u>255,103</u>
<i>Total Federal Assistance</i>			<u><u>\$ 781,663</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended August 31, 2016

Note 1: Standard Financial Accounting System

For all federal programs, the Organization used the net assets classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net assets codes.

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