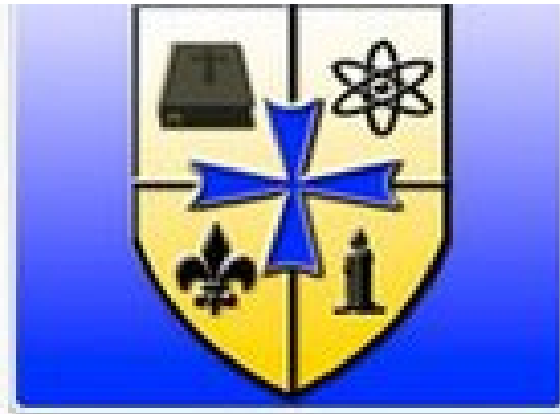


St. Mary's Academy Charter School



Annual Financial Report
For the fiscal years ended
August 31, 2018 and 2017

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

ST. MARY'S CHARTER SCHOOL
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

ST. MARY’S CHARTER SCHOOL

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd, Suite 102
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, 2018 and 2017 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, 2018 and 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, 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 13, 2018

ST. MARY'S CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 and 2017

Exhibit A-1

<i>Assets</i>	2018	2017
Current assets		
Cash and cash equivalents	\$ 1,106,550	\$ 986,694
Inventory	768	2,741
Grants receivable	504,098	413,050
Due from other funds	617	1
Other receivables	3,940	30,904
Prepaid expenses	56,508	44,525
Total current assets	1,672,481	1,477,915
Property and equipment at cost, net	3,285,534	3,332,563
Total assets	\$ 4,958,015	\$4,810,478
<i>Liabilities and Net Assets</i>		
Current liabilities		
Accounts payable	\$ 113,044	\$ 60,402
Accrued wages payable	370,244	351,115
Due to other funds	617	1
Deferred revenue	35,032	24,490
Other liabilities	45,013	31,229
Notes payable - current portion	78,072	74,742
Total current liabilities	642,022	541,979
Noncurrent liabilities		
Notes payable	1,236,310	1,313,499
Total noncurrent liabilities	1,236,310	1,313,499
Total liabilities	1,878,332	1,855,478
Net assets		
Unrestricted	342,189	308,337
Temporarily restricted	2,737,494	2,646,663
Total net assets	3,079,683	2,955,000
Total liabilities and net assets	\$ 4,958,015	\$4,810,478

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, 2018 and 2017

Exhibit A-2

SUPPORT AND REVENUE:	Unrestricted	Temporarily Restricted	2018	2017
Local Support				
5720 Revenue from Local Sources	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	119,471	-	119,471	147,422
5750 Revenues from Cocurricular, Enterprising	47,547	-	47,547	101,878
Total local support	<u>167,018</u>	<u>-</u>	<u>167,018</u>	<u>249,300</u>
State program revenues				
5810 Foundation School Program Act Revenues	-	3,951,133	3,951,133	3,799,317
5820 State Program Revenues Distributed by Texas Education Agency	-	12,965	12,965	41,457
5830 Other State Program Revenues	-	-	-	-
Total state program revenues	<u>-</u>	<u>3,964,098</u>	<u>3,964,098</u>	<u>3,840,774</u>
Federal Program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	561,631	561,631	515,723
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	13,523
Total federal program revenues	<u>-</u>	<u>561,631</u>	<u>561,631</u>	<u>529,246</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	4,434,898	(4,434,898)	-	-
Total support and revenue	<u>4,601,916</u>	<u>90,831</u>	<u>4,692,747</u>	<u>4,619,320</u>
EXPENSES				
0011 Instructional	2,286,777	-	2,286,777	2,299,346
0012 Instructional Resources and Media Services	37,540	-	37,540	45,806
0013 Curriculum and Staff Development	69,392	-	69,392	68,336
0021 Instructional Leadership	144,838	-	144,838	123,622
0023 School Leadership	199,722	-	199,722	206,869
0031 Guidance, Counseling, and Evaluation Services	155,500	-	155,500	125,100
0033 Health Services	9,997	-	9,997	7,567
0034 Student (Pupil) Transportation	-	-	-	1,920
0035 Food Services	297,373	-	297,373	300,225
0036 Extracurricular Activities	89,413	-	89,413	88,834
0041 General Administration	487,972	-	487,972	462,005
0051 Plant Maintenance and Operation	593,413	-	593,413	597,399
0052 Security	14,407	-	14,407	8,696
0053 Data Processing Services	58,913	-	58,913	50,632
0061 Community Services	16,994	-	16,994	18,256
0071 Debt Service-Interest	62,924	-	62,924	66,153
0081 Fund Raising	42,889	-	42,889	82,956
Total expenses	<u>4,568,064</u>	<u>-</u>	<u>4,568,064</u>	<u>4,553,722</u>
Change in net assets	33,852	90,831	124,683	65,598
Gain on sale of assets	-	-	-	1,420
Loss on sale of assets	-	-	-	(4,346)
Net assets, beginning of year	<u>308,337</u>	<u>2,646,663</u>	<u>2,955,000</u>	<u>2,892,328</u>
NET ASSETS, END OF YEAR	<u>\$ 342,189</u>	<u>\$ 2,737,494</u>	<u>\$3,079,683</u>	<u>\$2,955,000</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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Foundation School Program Payments	\$ 3,908,152	\$ 3,777,032
Local support	193,983	236,354
Federal and state grants	526,529	567,378
Payments to vendors for goods and services rendered	(919,709)	(974,608)
Payments to charter school personnel for services rendered	(3,377,679)	(3,302,335)
Interest payments	(62,924)	(66,153)
Net cash provided by operating activities	268,352	237,668
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of asset	-	1,420
Purchase of property and equipment	(74,637)	(326,221)
Net cash provided by investing activities	(74,637)	(324,801)
CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of debt	(73,859)	(70,630)
Net cash provided by financing activities	(73,859)	(70,630)
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,856	(157,763)
Cash and Cash Equivalents - beginning of year	986,694	1,144,457
Cash and Cash Equivalents - end of year	\$ 1,106,550	\$ 986,694
Reconciliation of change in net assets to net cash provided		
by operating activities:		
Change in net assets	\$ 124,683	\$ 65,598
Adjustments to reconcile change in net assets to net		
cash provided by operating activities:		
Depreciation	121,666	113,355
(Increase) decrease in inventory	1,973	(620)
(Increase) decrease in grants receivable	(91,048)	(25,609)
(Increase) decrease in due from other funds	(616)	3,230
(Increase) decrease in other receivables	26,964	(12,946)
(Increase) decrease in prepaid expenses	(11,983)	20,729
Increase (decrease) in accounts payable	52,642	8,404
Increase (decrease) in accrued wages payable	19,129	45,178
Increase (decrease) in due to other funds	616	(3,230)
Increase (decrease) in deferred revenue	10,542	17,976
Increase (decrease) in other liabilities	13,784	5,603
Net cash provided by operating activities	\$ 268,352	\$ 237,668

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

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

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, 2018 AND 2017**

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, 2018 the carrying amount of the Charter School's deposits (cash, certificates of deposit, and interest-bearing accounts) was \$1,106,550.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

3. CASH AND CASH EQUIVALENTS (Continued)

St. Mary's Charter School bank balance of \$1,116,610 was within the contracted depository banks consisting of the following:

First National Bank Local Fund	\$ 4,996
First National Bank Activity Fund	27,815
First National Bank Cafeteria Fund	9,063
First National Bank Operating Fund	51,608
First National Bank Money Market	<u>1,023,128</u>
Total	<u>\$1,116,610</u>

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

4. CAPITAL ASSETS

Capital assets at August 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 3,981,033	\$ 3,934,907
Leasehold improvements	96,547	68,036
Vehicles and equipment	88,585	91,638
Library books and media	23,682	23,682
Total property and equipment	<u>4,189,847</u>	<u>4,118,263</u>
Less: accumulated depreciation	<u>904,313</u>	<u>785,700</u>
Property and equipment, net	<u>\$ 3,285,534</u>	<u>\$ 3,332,563</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. LONG TERM DEBT

Long-term debt at August 31, 2018 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, 2016 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, 2018 was \$740,521.15.

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

5. 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, 2018 was \$573,860.49.

Year ended August 31	Principal	Interest	Total
2019	\$ 78,072	\$ 58,710	\$ 136,782
2020	81,595	55,187	136,782
2021	85,277	51,505	136,782
2022	89,127	47,655	136,782
2023	93,152	43,630	136,782
Thereafter	887,159	246,319	1,133,478
	<u>\$ 1,314,382</u>	<u>\$ 503,006</u>	<u>\$ 1,817,388</u>

6. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the charter holder were covered by a Health Insurance Plan (the Plan). The charter holder contributed \$330 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.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2018 and 2017 consisted of the following:

	2018	2017
State Funded Temporarily Restricted Net Assets	\$ 2,661,838	\$ 2,559,928
Federal NSLP	767	2,740
Campus Activity Net Asset Class	74,889	83,995
Total	<u>\$ 2,737,494</u>	<u>\$ 2,646,663</u>

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

8. 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.

9. OTHER RECEIVABLES

Other Receivables at August 31, 2018 of \$3,940 consists of Time Warner for \$1,224, Adult and Student Meals for \$2,011, Health Insurance for \$514, cell phone personal calls for \$97, and employee refunds for \$94.

10. 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.

11. PREPAID EXPENSES

Prepaid expenses of \$56,508 consist of the following: insurance - \$24,404, payroll expenses - \$8,021, website support - \$3,750, software expense - \$15,466, conference expense - \$1,692, security deposit - \$175, and financial audit - \$3,000. The charter holder records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

12. 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 and ISD's 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, 2018 AND 2017**

12. 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)
	2017	2016
1. Total Plan Assets	\$ 165,379,342	\$ 152,925,647
2. Accumulated Benefit Obligations	179,336,534	171,797,150
3. The plans funded %	82.17%	78.00%

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, 2018 AND 2017**

12. 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 2018. 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 2017 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 2018 and 2017.

	<u>Contribution Rate</u>	
	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
	<u>2018</u>	<u>2017</u>
Employer Contributions	\$ 13,960	\$ 15,964
Employer Surcharges	\$ 9,214	\$ 14,035
Member Contributions	\$192,267	\$190,288
Non-Employer Contributing Entity (State)	\$155,834	\$152,083

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, 2018 AND 2017**

12. 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.

13. DEFERRED REVENUE AND OTHER LIABILITIES

Deferred revenue of \$35,032 consists of revenue received this year for a next fiscal year grant - \$1,235, local grant - \$239, Barnhart Foundation - \$30,000, cafeteria lunch money - \$1,666, student activity revenue - \$226, and staff funeral flowers allotment - \$1,666. Other liabilities of \$45,013 consist of various payroll liabilities including teacher retirement liabilities - \$22,001, state unemployment taxes - \$217, and due to employees - \$22,795.

14. OPERATING LEASES

The charter holder has a non-cancelable operating lease for two copiers entered into in October 2013 for 60 months with payments of \$1,162.78. The charter holder renegotiated the lease for two color copiers and added one black and white copier. The new lease was entered into in June 2018 for 60 months with monthly payments of \$1,085.00. The charter holder also has a second lease for two black and white copiers entered into in January 2017 for 60 months with payments of \$555.

Total costs for the two leases were \$20,457.80 for the year ended August 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ended August 31,	<u>Amount</u>
2019	\$19,680
2020	19,680
2021	15,795
2022	13,020
2023	<u>10,850</u>
Total	<u>\$79,025</u>

**ST. MARY'S CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

14. 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. At August 31, 2018 the lease was renegotiated for 10 years with the first three years at \$6,300 per month, the next four years at \$6,500, and the final three years at \$6,700. Either party to the lease may cancel the lease at the end of the academic year after giving sixty days written notice. The total cost for the lease was \$72,000 for the year ended August 31, 2018. The future minimum lease payments for this lease are as follows:

Year Ended August 31	Amount
2019	\$ 75,600
2020	75,600
2021	75,600
2022	78,000
2023	78,000
Thereafter	<u>397,200</u>
 Total	 <u>\$ 780,000</u>

15. GRANTS RECEIVABLE

The grants receivable at August 31, 2018 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.

16. EVALUATION OF SUBSEQUENT EVENTS

The charter holder has evaluated subsequent events through December 13, 2018, the date which the financial statements were available to be issued.

ST. MARY'S ACADEMY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION FOR INDIVIDUAL CHARTER SCHOOL
AUGUST 31, 2018 and 2017

Exhibit B-1

<i>Assets</i>	2018	2017
Current assets:		
Cash and cash equivalents	\$ 1,106,550	\$ 986,694
Inventory	768	2,741
Grants receivable	504,098	413,050
Due from other funds	617	1
Other receivables	3,940	30,904
Prepaid expenses	56,508	44,525
Total current assets	1,672,481	1,477,915
Property and equipment at cost, net	3,285,534	3,332,563
Total assets	\$ 4,958,015	\$4,810,478
<i>Liabilities and Net Assets</i>		
Current liabilities		
Accounts payable	\$ 113,044	\$ 60,402
Accrued wages payable	370,244	351,115
Due to other funds	617	1
Deferred revenue	35,032	24,490
Other liabilities	45,013	31,229
Notes payable - current portion	78,072	74,742
Total current liabilities	642,022	541,979
Noncurrent liabilities		
Notes payable	1,236,310	1,313,499
Total noncurrent liabilities	1,236,310	1,313,499
Total liabilities	1,878,332	1,855,478
Net assets		
Unrestricted	342,189	308,337
Temporarily restricted	2,737,494	2,646,663
Total net assets	3,079,683	2,955,000
Total liabilities and net assets	\$ 4,958,015	\$4,810,478

ST. MARY'S ACADEMY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2018 and 2017

Exhibit B-2

	Unrestricted	Temporarily Restricted	2018	2017
SUPPORT AND REVENUE:				
Local Support				
5720 Revenues from Local Sources	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	119,471	-	119,471	147,422
5750 Revenues from Cocurricular, Enterprising	47,547	-	47,547	101,878
Total local support	167,018	-	167,018	249,300
State program revenues				
5810 Foundation School Program Act Revenues	-	3,951,133	3,951,133	3,799,317
5820 State Program Revenues Distributed by Texas Education Agency	-	12,965	12,965	41,457
5830 Other State Program Revenues	-	-	-	-
Total state program revenues	-	3,964,098	3,964,098	3,840,774
Federal Program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	561,631	561,631	515,723
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	13,523
Total federal program revenues	-	561,631	561,631	529,246
Net assets released from restrictions:				
Restrictions satisfied by payments	4,434,898	(4,434,898)	-	-
Total support and revenue	4,601,916	90,831	4,692,747	4,619,320
EXPENSES				
0011 Instructional	2,286,777	-	2,286,777	2,299,346
0012 Instructional Resources and Media Services	37,540	-	37,540	45,806
0013 Curriculum and Staff Development	69,392	-	69,392	68,336
0021 Instructional Leadership	144,838	-	144,838	123,622
0023 School Leadership	199,722	-	199,722	206,869
0031 Guidance, Counseling, and Evaluation Services	155,500	-	155,500	125,100
0033 Health Services	9,997	-	9,997	7,567
0034 Student (Pupil) Transportation	-	-	-	1,920
0035 Food Services	297,373	-	297,373	300,225
0036 Extracurricular Activities	89,413	-	89,413	88,834
0041 General Administration	487,972	-	487,972	462,005
0051 Plant Maintenance and Operation	593,413	-	593,413	597,399
0052 Security	14,407	-	14,407	8,696
0053 Data Processing Services	58,913	-	58,913	50,632
0061 Community Services	16,994	-	16,994	18,256
0071 Debt Service-Interest	62,924	-	62,924	66,153
0081 Fund Raising	42,889	-	42,889	82,956
Total expenses	4,568,064	-	4,568,064	4,553,722
Change in net assets	33,852	90,831	124,683	65,598
Gain on sale of assets	-	-	-	1,420
Loss on sale of assets	-	-	-	(4,346)
Net assets, beginning of year	308,337	2,646,663	2,955,000	2,892,328
NET ASSETS, END OF YEAR	\$ 342,189	\$ 2,737,494	\$3,079,683	\$2,955,000

ST. MARY'S ACADEMY CHARTER SCHOOL
STATEMENTS OF CASH FLOW FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2018 and 2017

Exhibit B-3

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Foundation School Program Payments	\$ 3,908,152	\$ 3,777,032
Local support	193,983	236,354
Federal and state grants	526,529	567,378
Payments to vendors for goods and services rendered	(919,709)	(974,608)
Payments to charter school personnel for services rendered	(3,377,679)	(3,302,335)
Payments for interest	(62,924)	(66,153)
Net cash provided by operating activities	268,352	237,668
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of asset	-	1,420
Purchase of property and equipment	(74,637)	(326,221)
Net cash provided by investing activities	(74,637)	(324,801)
CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of debt	(73,859)	(70,630)
Net cash provided by financing activities	(73,859)	(70,630)
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,856	(157,763)
Cash and Cash Equivalents - beginning of year	986,694	1,144,457
Cash and Cash Equivalents - end of year	\$ 1,106,550	\$ 986,694
Reconciliation of change in net assets to net cash provided		
by operating activities:		
Change in net assets	\$ 124,683	\$ 65,598
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	121,666	113,355
(Increase) decrease in inventory	1,973	(620)
(Increase) decrease in grants receivable	(91,048)	(25,609)
(Increase) decrease in due from other funds	(616)	3,230
(Increase) decrease in other receivables	26,964	(12,946)
(Increase) decrease in prepaid expenses	(11,983)	20,729
Increase (decrease) in accounts payable	52,642	8,404
Increase (decrease) in accrued wages payable	19,129	45,178
Increase (decrease) in due to other funds	616	(3,230)
Increase (decrease) in deferred revenue	10,542	17,976
Increase (decrease) in other liabilities	13,784	5,603
Net cash provided by operating activities	\$ 268,352	\$ 237,668

ST. MARY'S ACADEMY CHARTER SCHOOL
SCHEDULES OF EXPENSES FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2018 and 2017

EXHIBIT C-1

Expenses	2018	2017
6100 Payroll Costs	\$ 3,396,807	\$ 3,347,512
6200 Professional and Contracted Services	465,966	500,059
6300 Supplies and Materials	385,528	386,123
6400 Other Operating Costs	256,839	253,875
6500 Debt	62,924	66,153
Total Expenses	\$ 4,568,064	\$ 4,553,722

ST. MARY'S ACADEMY CHARTER SCHOOL **EXHIBIT D-1**
SCHEDULE OF CAPITAL ASSETS FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2018

	Ownership Interest		
	Local	State	Federal
1520 Building and Improvements	\$ 64,941	\$ 3,680,532	\$ 235,560
1520 Leasehold Improvements	96,547	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	16,240	30,118	36,583
1549 Other Equipment	-	4,143	1,501
1569 Library Books and Media	-	-	23,682
Total Property and Equipment	\$177,728	\$3,714,793	\$297,326

ST. MARY'S ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE FOR INDIVIDUAL CHARTER SCHOOL
FOR THE YEARS ENDED AUGUST 31, 2018 and 2017

Exhibit E-1

	Budgeted Amounts		2018 Actual Amount	Variance from Final Budget	2017 Actual Amount
	Original	Final			
Revenues					
Local Support:					
5720 Revenues from Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	116,305	120,374	119,471	(903)	147,422
5750 Revenues from Cocurricular, Enterprising	56,900	50,809	47,547	(3,262)	101,878
Total Local Support	<u>173,205</u>	<u>171,183</u>	<u>167,018</u>	<u>(4,165)</u>	<u>249,300</u>
State program revenues					
5810 Foundation School Program Act Revenues	3,877,762	3,935,455	3,951,133	15,678	3,799,317
5820 State Program Revenues Distributed by Texas Education Agency	42,770	41,151	12,965	(28,186)	41,457
5830 State Program Revenues Distributed by Government Agency	-	-	-	-	-
Total State Program Revenues	<u>3,920,532</u>	<u>3,976,606</u>	<u>3,964,098</u>	<u>(12,508)</u>	<u>3,840,774</u>
Federal program revenues:					
5920 Federal Revenues Distributed by the Texas Education Agency	628,443	564,614	561,631	(2,983)	515,723
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-	13,523
Total Revenues	<u>4,722,180</u>	<u>4,712,403</u>	<u>4,692,747</u>	<u>(19,656)</u>	<u>4,619,320</u>
Expenses					
11 Instructional	2,356,489	2,356,382	2,286,777	69,605	2,299,346
12 Instructional Resources and Media Services	40,032	39,760	37,540	2,220	45,806
13 Curriculum Development and Instructional Staff Development	55,775	77,687	69,392	8,295	68,336
21 Instructional Leadership	141,859	151,614	144,838	6,776	123,622
23 School Leadership	199,013	217,633	199,722	17,911	206,869
31 Guidance, Counseling and Evaluation Services	161,511	165,255	155,500	9,755	125,100
33 Health Services	9,453	10,604	9,997	607	7,567
34 Student (Pupil) Transportation	-	-	-	-	1,920
35 Food Services	347,930	311,376	297,373	14,003	300,225
36 Cocurricular/Extracurricular Activities	100,396	100,871	89,413	11,458	88,834
41 General Administration	510,720	510,612	487,972	22,640	462,005
51 Plant Maintenance and Operations	582,736	615,283	593,413	21,870	597,399
52 Security and Monitoring Services	15,343	15,240	14,407	833	8,696
53 Data Processing Services	61,758	64,567	58,913	5,654	50,632
61 Community Services	18,158	17,929	16,994	935	18,256
71 Debt Service-Interest	62,034	63,384	62,924	460	66,153
81 Fund Raising	47,299	43,617	42,889	728	82,956
Total Expenses	<u>4,710,506</u>	<u>4,761,814</u>	<u>4,568,064</u>	<u>193,750</u>	<u>4,553,722</u>
Change in Net Assets	<u>11,674</u>	<u>(49,411)</u>	<u>124,683</u>	<u>174,094</u>	<u>65,598</u>
Gains - Sale of Assets	-	-	-	-	1,420
Losses - Disposal of Assets	(500)	(500)	-	(500)	(4,346)
Net Assets, beginning of year	<u>2,955,000</u>	<u>2,955,000</u>	<u>2,955,000</u>	<u>-</u>	<u>2,892,328</u>
Net Assets, end of year	<u>\$2,966,174</u>	<u>\$ 2,905,089</u>	<u>\$ 3,079,683</u>	<u>\$ 173,594</u>	<u>2,955,000</u>

Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd., Suite 102
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, 2018, 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 13, 2018.

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 13, 2018

St. Mary's Charter School

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2018

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. Federal Awards	N/A

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.

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

For the year ended August 31, 2018

I. Status of Prior Year Findings:

None

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

For the year ended August 31, 2018

N/A