

**OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS –
REGULATORY BASIS
AND INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2017**

TABLE OF CONTENTS

Independent Auditors' Report	1
Combined Financial Statements:	
Combined Statement of Assets, Liabilities and Fund Balance - Regulatory Basis - All Fund Types	5
Combined Statement of Revenues, Expenditure and Changes in Fund Balances - Regulatory Basis – All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types	7
Notes to Combined Financial Statements	9
Other information:	
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - All Agency Funds	22
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	27

TABLE OF CONTENTS

Reports Required by *Government Auditing Standards* and Uniform Guidance:

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 <i>Government Auditing Standards</i>	28
Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	30
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	36
Other Department of Education Required Information:	
Accountant's Professional Liability Insurance Affidavit	37



INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education
OKC Charter Santa Fe South Schools No. E-021
Oklahoma County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the OKC Charter Santa Fe South Schools No. E-021, Oklahoma County, Oklahoma (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education, as described in Note 1, to meet the financial reporting requirements of the State of Oklahoma. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the OKC Charter Santa Fe South Schools No. E-021, as of June 30, 2017, or changes in financial position, or cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements referred to above do not include the General Fixed Asset Account Group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of the School as of June 30, 2017, and the revenues it received and expenditures it paid and encumbered for the year then ended, in accordance with the financial reporting provisions of the Oklahoma State Department of Education as described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School’s basic financial statements. The combining agency fund statements – regulatory basis, listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, and related notes, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining agency fund statements – regulatory basis and the schedule of expenditures of federal awards and related notes, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining agency fund statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole on the regulatory basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 7, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Arledge & Associates, P.C." in a cursive, flowing script.

March 7, 2018

**COMBINED FINANCIAL STATEMENTS –
REGULATORY BASIS**

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
REGULATORY BASIS - ALL FUND TYPES
JUNE 30, 2017

	Governmental Fund Types		Fiduciary Fund Types	
	General	Gift	Trust and Agency Fund	Totals (Memo Only)
ASSETS:				
Cash and investments	\$ 4,507,933	\$ -	\$ 400,548	\$ 4,908,481
Total assets	<u>\$ 4,507,933</u>	<u>\$ -</u>	<u>\$ 400,548</u>	<u>\$ 4,908,481</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Warrants payable	\$ 453,657	\$ -	\$ -	\$ 453,657
Encumbrances	128,734	-	-	128,734
Due to others	-	-	400,548	400,548
Total liabilities	<u>582,391</u>	<u>-</u>	<u>400,548</u>	<u>982,939</u>
Fund Balances:				
Unassigned	3,925,542	-	-	3,925,542
Total fund balances	<u>3,925,542</u>	<u>-</u>	<u>-</u>	<u>3,925,542</u>
Total liabilities and fund balances	<u>\$ 4,507,933</u>	<u>\$ -</u>	<u>\$ 400,548</u>	<u>\$ 4,908,481</u>

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Fund Types	
	General	Gift
Revenues:		
Local sources	\$ 2,386,186	\$ -
State sources	13,966,546	-
Federal sources	2,604,307	-
Other sources	27,931	409,500
Total revenues collected	18,984,970	409,500
Expenditures:		
Instruction	8,371,506	-
Support services	5,597,582	-
Non-instructional services	1,052,078	-
Other outlays	38,262	409,500
Total expenditures	15,059,428	409,500
Excess of revenue over (under) expenditures	3,925,542	-
Beginning fund balances	-	-
Ending fund balances	\$ 3,925,542	\$ -

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS - BUDGETED GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Local sources	\$ 2,736,582	\$ 2,739,680	\$ 2,386,186
State sources	13,158,771	13,891,508	13,966,546
Federal sources	2,445,850	2,881,102	2,604,307
Other sources	-	27,723	27,931
Total Revenues	18,341,203	19,540,013	18,984,970
Expenditures:			
Instruction	8,750,000	8,750,000	8,371,506
Support services	5,478,000	5,516,000	5,597,582
Non-instructional services	1,165,000	1,150,000	1,052,078
Capital outlay	335,000	275,000	-
Other outlays	22,000	59,000	38,262
Total expenditures	15,750,000	15,750,000	15,059,428
Net change in fund balance	2,591,203	3,790,013	3,925,542
Beginning fund balance	-	-	-
Ending fund balance	\$ 2,591,203	\$ 3,790,013	\$ 3,925,542

**NOTES TO THE FINANCIAL STATEMENTS –
REGULATORY BASIS**

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies

The accompanying financial statements of OKC Charter Santa Fe South Schools No. E- 021 (the "School") conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The School's accounting policies are described in the following notes that are an integral part of the School's financial statements.

A. Reporting Entity

Santa Fe South Schools, Inc., an Oklahoma not-for-profit corporation, was formed for the benefit of the School. Independent School District No. 89 of Oklahoma County, Oklahoma, also known as the Oklahoma City Public Schools (the "District"), has contracted with Santa Fe South Schools, Inc. for the operation of the School, a charter school under the Oklahoma Charter School Act.

The governing body of the School is governed by its Board of Education composed of appointed members. The Board has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the School. The financial data of the School is also reported within the general fund of the District's financial statements. The accompanying financial statements are intended to present only the results of the operations of the School and not that of the general fund of the District. The School receives funding from local, state, and federal government sources and must comply with the applicable requirements of these funding source entities.

The School's activities are reported for federal and Oklahoma tax purposes by Santa Fe South Schools, Inc. Santa Fe South Schools, Inc. is an organization described in Internal Revenue Code Section 501(c)(3) As such, the income of the School is subject to income taxes only to the extent it generates income from unrelated activities. The School had no unrelated income in the year ended June 30, 2017.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Reporting Entity, (Continued)

Although Santa Fe South Schools, Inc. is a not-for-profit entity that would normally follow the presentation requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the School is considered a quasi-governmental entity subject to the reporting requirements of the Oklahoma State Department of Education. Therefore, the School is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes and the Oklahoma Charter Schools Act.

In evaluating how to define the school, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School and/or its citizens, or whether the activity is conducted within the geographic boundaries of the School and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the School's reporting entity, however, the School does have related parties.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

B. Measurement Focus

The School uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Fund Types

Governmental Funds are used to account for all or most of a government's general activities. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including entitlements, grants, and shared revenues are recognized when they are received rather than earned. Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. These practices differ from generally accepted accounting principles.

Governmental funds include the following fund type:

General Fund - The General Fund is the general operating fund of the School. It is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include federal and state funding. Expenditures include all costs associated with the daily operations of the school except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs.

Gift Fund – The Gift Fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the School.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Measurement Focus, (Continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the School. Agency funds generally are used to account for assets that the School holds on behalf of others as their agent and do not involve measurement of results of operations.

Fiduciary funds include the following fund type:

Agency Fund - The Agency Fund is the School Activities Fund which is used to account for monies collected principally through fundraising efforts of the students and School sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Memorandum Only - Total Column

The total column on the financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

C. Basis of Accounting

The School prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis -for State and Local Governments. This format differs significantly from that required by GASB Statement No. 34.

The financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Inventories of school supplies are recorded as expenditures and not as assets.
- Warrants payable are recorded as liabilities when issued.
- Long term debt is recorded when incurred.
- Compensated absences are recorded as expenditure when paid and not recorded as a liability.

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

D. Assets, Liabilities and Fund Equity

Deposits and Investments – State statutes govern the School's investment policy. Permissible investments under State law are described in Note 3 below. Investments are stated at cost.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Assets, Liabilities and Fund Equity, (Continued)

Fair Value of Financial Instruments – The School’s financial instruments include cash and investments. The School’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

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

Interfund transactions – Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in that fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the School. The School recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the School's treasurer.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Fund Balance – Governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered nonspendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are spendable (such as fund balance associated with cash, investments, or receivables).

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Assets, Liabilities and Fund Equity, (Continued)

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

E Revenue, Expenses and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the School and available to the School for its use. Local sources of revenues for the School include contributions, supplies and materials sold, commissions, and reimbursements.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Revenue, Expenses and Expenditures, (Continued)

Intermediate Revenues - Revenues from intermediate sources are the amounts of money from funds collected by an intermediate administrative unit, or a political subdivision, between the School and the State, and distributed to schools in amounts that differ in proportion to those collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustment is made.

The School receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical, educational program revenues be accounted for in the general fund.

Federal Revenues Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the State.

Non-revenue Receipts Nonrevenue receipts represent receipts deposited into a fund that are not considered new revenues to the School, but rather the return of assets that also includes miscellaneous receipts.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of Significant Accounting Policies, (Continued)

Revenue, Expenses and Expenditures, (Continued)

Resource Use Policy – It is in the School’s policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the School considers restricted amounts to be spent first before any unrestricted amounts are used.

2. Stewardship, Compliance and Accountability

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all Governmental Funds of the School. Purchase orders or contracts document encumbrance for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end

3. Deposits and Investments

At June 30, 2017, the School held deposits of \$4,941,973 at financial institutions. The District's cash deposits are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Investment Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d).

4. Other Information

A. Investment Income

Investment income deposits to the General Fund account are receipted as allocated by the School Treasurer. School Funds are required to be invested in accordance with Title 70 of the Oklahoma Statutes, Article 5, Section 115. Interest income on investments totaled \$1,062 for the year ended June 30, 2017.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Other Information, (Continued)

B. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance to cover these risks of loss, including general and auto liability, property damage, and public official's liability. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

C. Health Care Coverage

Medical insurance is paid for employees in the amount of the full premium for full time eligible employees and partial payment consistent with the amount of preauthorized work for part time eligible employees. The School will pay 50% of dependent coverage if employees cover the remaining 50%. Part time employees are eligible if they work at least 30 hours per week. The School pays the applicable percentage of the premiums in relation to full time rates.

D. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already received, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Other Information, (Continued)

E. Employee Benefit Plan

The School participates in a defined contribution salary deferral plan which covers substantially all employees. Under the plan the School contributes 7% of an employee's monthly gross wages. Employee contributions to the plan are voluntary and may be made up to 10% of monthly gross wages.

School employees are 100% vested with their first contribution. The School has no control over the fund, and employees may remove what they have contributed at any time, but must leave the School's contribution in the plan until termination of employment.

Upon termination, the employee has the option to (1) remove all funds contributed by him or her or on their behalf, (2) leave the employee and employer contributions made on his or her behalf in the plan and continue to draw interest, or (3) roll the funds over into another qualified plan.

F. Surety Bonds

The School Superintendent has a public official dishonesty bond with RLI Insurance Company, bond number LSM0606268, which covers Christopher Brewster for the penal sum of \$100,000.00 from November 14, 2016 until November 14, 2017. The School Business Manager has a public official dishonesty bond with RLI Insurance Company, bond number LSM0606269, which covers Maritza Santiago-Resto for the penal sum of \$100,000.00 from November 14, 2016 until November 14, 2017. The School has a public official dishonesty bond with RLI Insurance Company for the School Treasurer, bond number LSM0745231, which covers Jack H. Jenkins for the penal sum of \$100,000.00 from July 28, 2016 until July 28, 2017. The School has a public official dishonesty bond with RLI Insurance Company for the Assistant Principal, bond number LSM0927322, which covers Alex Souza for the penal sum of \$100,000.00 from September 9, 2016 until September 9, 2017. The School has a public official dishonesty bond with RLI Insurance Company for the Encumbrance Clerk/Activity Fund, bond number LSM0638282, which covers Jessica Jennings for the penal sum of \$1,000.00 from July 1, 2016 until July 1, 2017. In addition, the School has bonded all General and Activity Fund Custodians with RLI Insurance Company for the penal sum of \$1,000 each.

OTHER INFORMATION – REGULATORY BASIS

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balance As of July 1, 2016	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of June 30, 2017
ASSETS:					
ASSETS OF STUDENT GROUPS	\$ -	\$ 856,523	\$ -	\$ 455,975	\$ 400,548
TOTAL ASSETS	\$ -	\$ 856,523	\$ -	\$ 455,975	\$ 400,548
LIABILITIES:					
HIGH SCHOOL ACTIVITIES:					
BAND	\$ -	\$ 3,018	\$ (850)	\$ 1,382	\$ 786
AMBROSIOS HOUSE	-	5,656	(1,321)	864	3,471
ACADEMIC TEAM	-	995	-	-	995
SEERIGHT FRONT DESK	-	1,294	-	1,293	1
MEACHEM'S TEAM	-	225	-	-	225
VOLLEYBALL	-	1,712	-	1,173	539
SOFTBALL	-	495	-	199	296
BASKETBALL BOYS	-	18,635	290	13,449	5,476
HARDING TEAM	-	144	-	-	144
CHOIR	-	23,000	1,197	23,182	1,015
CAPITAL CAMPAIGN	-	176,712	-	98,394	78,318
SOCCER	-	21,696	(134)	16,610	4,952
PANKHURST GREAT IDEAS	-	445	-	-	445
ALPHA	-	6,713	-	4,924	1,789
ROWING	-	301	635	-	936
BASKETBALL GIRLS	-	5,153	-	4,754	399
WOMEN'S STUDIES	-	138	-	-	138
TRACK	-	1,139	-	99	1,040
CHINESE	-	-	188	-	188
LIBRARY	-	402	-	-	402
WINNINGHAM ACADEMY	-	276	(276)	-	-
BASEBALL	-	1,836	-	-	1,836
WILLIAMS TEAM	-	194	-	-	194
STUDENT COUNCIL/LEADERS	-	1,656	-	1,654	2
SENIORS 2017	-	32,206	(8,856)	15,981	7,369
PTW CHOIR	-	319	-	-	319
ALLISON'S TEAM	-	230	-	230	-
LOUGHRIDGE TEAM	-	336	-	-	336
HOUSE	-	1,736	(950)	734	52
FACILITIES RENTAL	-	112,756	-	685	112,071
RENNIE BERRY SCHOLARSHIP	-	1,700	-	1,400	300
YEARBOOK	-	4,390	8,775	11,395	1,770
FOLMSBEE'S TEAM	-	240	-	-	240
GAME CLUB	-	2,259	(1,700)	375	184
HIGH SCHOOL TRIP	-	957	(957)	-	-
CLASS OF 2016	-	3,566	(3,344)	222	-
VALERIUS HOUSE	-	3,054	-	609	2,445
SHANAHAN ACADEMY	-	271	(271)	-	-
PROM ACCOUNT	-	8,925	2,753	6,455	5,223
GAMING CLUB	-	74	(74)	-	-
AGUIRRE'S TEAM	-	260	-	-	260
SAPIENTIA	-	409	439	765	83
GORE'S TEAM	-	189	-	-	189
VANGILDER TEAM	-	638	-	279	359
HUTCHES TEAM	-	100	-	-	100
PTW STUDENTS UNIFORMS	-	160	-	-	160
PATHWAYS NHS	-	438	-	-	438
PATHWAYS YEARBOOK	-	944	-	-	944
COLE'S TEAM	-	174	-	-	174
SENIOR TRIP	-	27,973	1,257	26,708	2,522
CROSS COUNTRY	-	321	-	-	321

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balance As of July 1, 2016	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of June 30, 2017
LIABILITIES (Continued):					
HIGH SCHOOL ACTIVITIES (Continued):					
PATHWAYS GENERAL ACCT	\$ -	\$ 5,150	\$ 1,318	\$ 740	\$ 5,728
CHEERLEADING	-	13,913	-	13,389	524
GENERAL ACTIVITY	-	15,812	65	11,079	4,798
T ANDERSON'S TEAM	-	122	-	-	122
STAHL'S TEAM	-	75	-	-	75
BREWSTER SCHOLARSHIP	-	4,483	-	2,000	2,483
BOEING SCHOLARSHIP	-	7,188	(188)	4,000	3,000
ART	-	208	-	-	208
CUSACK'S TEAM	-	335	850	360	825
NEWSPAPER	-	3,793	-	2,042	1,751
ROSS' TEAM	-	395	-	312	83
MOORE'S TEAM	-	1,953	-	-	1,953
TULLY'S TEAM	-	691	-	448	243
NATIONAL MATH HONOR SOC	-	428	-	-	428
PATHWAYS 2019	-	6	-	-	6
PATHWAYS 2016	-	3,973	(2,515)	1,113	345
PATHWAYS 2017	-	10,177	2,570	4,043	8,704
PATHWAYS PROM	-	2,421	1,080	2,500	1,001
P. CRITTENDEN SCHOLARSHIP	-	500	-	-	500
GO BLUE HAT FOUNDATION	-	1	-	-	1
MEI'S TEAM	-	189	-	-	189
YUMIKO AKIBA	-	1,442	-	684	758
PATHWAY SCHOLARSHIP	-	2,768	-	-	2,768
FENCING	-	3	-	-	3
FONT'S TEAM	-	164	-	-	164
BALDERA'S TEAM	-	52	-	-	52
SHOAF'S TEAM	-	701	-	-	701
GORE'S TEAM	-	6	-	-	6
CELL PHONE	-	180	-	-	180
TOTAL HIGH SCHOOL ACTIVITIES	-	553,589	(19)	276,525	277,045
MIDDLE SCHOOL ACTIVITIES:					
GENERAL ACTIVITY	-	2,502	120	474	2,148
CHEERLEADING	-	5,076	-	5,075	1
CONSOLIDATE CONCESSION	-	25	-	-	25
STUDENT ACTIVITES FUNDRAISE	-	1,358	-	1,352	6
STUDENT COUNCIL	-	2,692	-	-	2,692
DRAMA	-	377	-	259	118
WATER FOR FOUNDATION	-	-	-	-	-
CONSOLIDATE YEARBOOK	-	192	-	-	192
SCIENCE OLYMPIAD	-	516	-	513	3
CONCESSIONS	-	16,356	-	14,687	1,669
FOOTBALL	-	648	-	-	648
WRESTLING	-	6,101	-	-	6,101
ELIZONDO'S TEAM	-	340	-	340	-
BASKETBALL	-	13	-	-	13
BASEBALL	-	88	-	-	88
SAVAGE'S TEAM	-	542	(200)	325	17
SOFTBALL	-	572	-	-	572
OUTDOOR ED	-	20	-	-	20
DC TRIP	-	28,310	-	27,945	365
YEARBOOK	-	2,803	-	2,428	375
SALGADO TEAM	-	597	-	264	333
VIZCAINO'S TEAM	-	113	-	113	-
FAIR'S TEAM	-	343	-	224	119
SOCCER	-	7,858	134	6,164	1,828

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Beginning Balance As of July 1, 2016	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of June 30, 2017
LIABILITIES (Continued):					
MIDDLE SCHOOL ACTIVITIES (Continued):					
RUDEK TEAM	\$ -	\$ 511	\$ -	\$ 459	\$ 52
MASTEN'S TEAM	-	103	(103)	-	-
TRACK	-	1	-	-	1
VILLAFANA'S TEAM	-	685	-	682	3
JOHNSON TEAM	-	314	-	242	72
CHOIR	-	26	-	-	26
WILKINS TEAM	-	482	-	291	191
MCINTOSH TEAM	-	272	-	-	272
BARKER'S TEAM	-	572	-	507	65
GOODNOH'S TEAM	-	339	-	338	1
BASKETBALL CONCESSIONS	-	105	-	-	105
DEMARCHI'S TEAM	-	405	-	291	114
CAMP GODDARD	-	30,144	76	21,718	8,502
MCBRIDE'S TEAM	-	338	-	243	95
MOORE TEAM	-	150	107	257	-
CHESS CLUB	-	42	-	-	42
COMMUNITY GARDEN	-	199	-	-	199
NEW CONCESSION STAND	-	3,932	-	-	3,932
CELL PHONE	-	349	-	-	349
COWEN TEAM	-	273	-	-	273
SPANISH DEPT.	-	30	-	-	30
GIRLS BASKETBALL	-	1,195	-	-	1,195
HONEY BEES	-	1,472	-	-	1,472
6TH GRADE LIBRARY	-	276	-	-	276
REDMAN TEAM	-	333	-	-	333
SMITH TEAM	-	6	-	-	6
WHITEHEAD	-	711	-	521	190
FACULTY SCHOLARSHIP	-	3,300	-	-	3,300
PRY TEAM	-	1,265	-	1,144	121
BOWEN	-	261	-	223	38
DAWN FAIR	-	622	-	610	12
HEATHER FILES	-	250	-	250	-
SOFIA SMART	-	289	-	200	89
FEARS TEAM	-	140	-	120	20
HILLEBRAND	-	17	-	-	17
GORDON	-	285	-	255	30
DOAN	-	332	-	276	56
TOTAL MIDDLE SCHOOL ACTIVITIES	-	127,468	134	88,790	38,812
ELEMENTARY SCHOOL ACTIVITIES:					
GENERAL ACTIVITY	-	29,731	(115)	16,299	13,317
STUDENT/TEACHER/PARENT	-	54,806	-	26,101	28,705
FIRST GRADE	-	80	-	-	80
ELEMENTARY TRIP	-	3,247	-	-	3,247
ECC GENERAL ACTIVITY	-	12,037	-	4,732	7,305
ECC STUDENT/TEACHER/PARENT	-	28,496	-	18,525	9,971
HILLS GENERAL ACTIVITY	-	17,207	-	9,255	7,952
HILLS STUDENT/TEACHER/PAREN	-	29,262	-	15,148	14,114
HILLS SPECIAL ACCOUNT	-	600	-	600	-
TOTAL ELEMENTARY SCHOOL ACTIVITIES	-	175,466	(115)	90,660	84,691
TOTAL LIABILITIES	\$ -	\$ 856,523	\$ -	\$ 455,975	\$ 400,548

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Beginning Balance 1-Jul-16	Revenue Collected	Total Expenditures	Ending Balance 30-Jun-17
<u>U.S. Department of Agriculture:</u>						
Passed through Oklahoma Department of Education:						
Child Nutrition Cluster:						
School Breakfast Program	10.553	764	\$ -	\$ 203,338	\$ 203,338	\$ -
National School Lunch Program	10.555	763	-	832,550	832,550	-
Total Child Nutrition Cluster			-	1,035,888	1,035,888	-
Fresh Fruit/Vegetable Program	10.582	768	-	3,178	3,178	-
Total U.S. Department of Agriculture			-	1,039,066	1,039,066	-
<u>U.S. Department of Education:</u>						
Passed through Oklahoma Department of Education:						
Title I	84.010	511	-	789,937	895,142	(105,205)
Title I 2015-16	84.010	511	(123,506)	123,506	-	-
Title I, School Support	84.010	515	-	2,973	17,830	(14,857)
Title I, School Support 2015-16	84.010	515	(2,884)	2,884	-	-
Total Title I Program			(126,390)	919,300	912,972	(120,062)
Title II, Part A Improve Teachers	84.367	541	-	59,165	59,165	-
Title II, PartA Improve Teachers 2015-16	84.367	541	(32,784)	32,784	-	-
Total for Title II Program			(32,784)	91,949	59,165	-

(Continued)

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Beginning Balance 1-Jul-16	Revenue Collected	Total Expenditures	Ending Balance 30-Jun-17
<u>U.S. Department of Education (continued):</u>						
Passed through Oklahoma Department of Education (continued):						
Title III, Part A, English Language	84.365	572	-	8,551	8,551	-
Title III, Part A, English Language 2015-16	84.365	572	(612)	612	-	-
Total Title II Program			(612)	9,163	8,551	-
Special Education Cluster:						
IDEA-B, Flowthrough	84.027	621	-	302,748	307,665	(4,917)
IDEA-B, Flowthrough 2015-16	84.027	621	(4,960)	4,960	-	-
IDEA-B, Preschool	84.173	641	-	1,366	1,557	(191)
IDEA-B, Preschool 2015-16	84.173	641	(40)	40	-	-
Total Special Education Cluster			(5,000)	309,114	309,222	(5,108)
Twenty-First Century Community Learning						
Centers	84.287	553	-	88,943	125,468	(36,525)
Twenty-First Century Community Learning						
Centers 2015-16	84.287	553	(146,772)	146,772	-	-
Total Twenty-First Century Program			(146,772)	235,715	125,468	(36,525)
Total U.S. Department of Education			(311,558)	1,565,241	1,415,378	(161,695)
Total Expenditures of Federal Awards			\$ (311,558)	\$ 2,604,307	\$ 2,454,444	\$ (161,695)

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of OKC Charter Santa Fe South Schools No. E-021 (the "School") under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--SUBRECIPIENTS

During the year ended June 30, 2017, the School did not provide any federal awards to subrecipients.

**REPORTS REQUIRED BY *GOVERNMENT AUDITING*
STANDARDS AND UNIFORM GUIDANCE**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Board of Education
OKC Charter Santa Fe South Schools District No. E-021
Oklahoma County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund type and account group financial statements – regulatory basis within the combined financial statements of OKC Charter Santa Fe South Schools No. E-021, Oklahoma County, Oklahoma (the “School”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated March 7, 2018, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. In addition, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation with respect to the financial statements being prepared following the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

March 7, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Board of Education
OKC Charter Santa Fe South Schools No. E-021
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited OKC Charter Santa Fe South Schools No. E-021, Oklahoma County, Oklahoma's (the "School"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The School's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. No material weaknesses were identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a significant deficiency.

The School's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



March 7, 2018

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Adverse.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	*
Title I	84.010

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2017, period.

Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:

Finding 2017-001: Eligibility and Verification – Eligibility Status and Documentation

Federal Program: CFDA # 10.553 and 10.555 – Child Nutrition Cluster

Criteria: Eligibility - The School is required to obtain appropriate documentation for each applicant/student and determine the eligibility status of the student based on income and household size as determined by the annual Income Eligibility Guidelines provided by the United States Department of Agriculture. It is additionally noted that annual eligibility determinations may also be based on the child's household receiving benefits under the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), the Head Start Program, or Temporary Assistance for Needy Families (TANF). A household may furnish documentation of its participation in one of these programs; or the school may obtain the information directly from the State or local agency that administers these programs. Students in such households as well as certain foster, runaway, homeless, and migrant children are categorically eligible for free school lunches and breakfasts. Verification – The School is required to verify a sample of current free and reduced price applications by November 15th of each year to obtain supporting documentation from the parent/guardian to support the income provided in their application. The Schools must then review any support obtained and adjust the status of students as appropriate. When no support is received, the eligibility of the student status should be changed to paid until a time when appropriate support is obtained from the parent/guardian. Furthermore, the School is required to obtain and maintain proper documentation supporting the applicants selected for verification.

Condition: In our eligibility testing, five out of forty students tested did not have the proper eligibility status of free, reduced or paid selected. The eligibility conditions were noted at the High School, Middle School, and Penn Elementary School sites. In our verification testing sample of seven applications, we noted two eligibility statuses that did not appear to be properly updated based on support received or not received from parent/guardian. In our verification testing, in a sampling population of seven applicants selected for verification, we noted two applicant verifications that were not properly supported by a copy of the letter sent out requesting verification from applicant, copy of the follow-up letter when no response was received in relation to the first letter, copy of the letter sent notifying change of status, or support from applicant received as defined by 7 CFR Section 245.6a(b). The verification conditions were noted at the High School and Middle School sites.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs: None

Cause: The verification process is performed by individuals at each site without a centralized monitoring process in place to review that the eligibility status is being properly determined and/or updated and that the Federal verification documentation requirements are being properly and consistently met at all school sites.

Effect: There is a potential that students could be improperly classified as free, reduced or paid.

Recommendation: We recommend that key personnel be trained annually on the Income Eligibility Guidelines provided by the United States Department of Agriculture as well as the requirements for which verification documents should be obtained and maintained. We also recommend that policies and procedures be put into place for the Schools to monitor the eligibility status and documentation maintenance performed at each site is in conformity with the applicable federal guidelines.

Management's response: In regards to Eligibility and Verification- Eligibility Status, SFS required all sites to follow protocol. The process was reviewed with all involved staff at the training below. During review in 2016-17, all sites reported proper procedures. We did find that schools did not update our SIS software, Power School, with proper student status of *free*, reduced, or paid.

SFS Schools does provide proper training for all personnel involved with our Child Nutrition program. Mr. Alex Souza, Assistant Superintendent, oversees the process. In 2016-2017, we provided the following training:

1. July 29, 2016: SDE/ Child Nutrition Manual Workshop 2016-17.
Topic: Application Approval, Benefit Issuance, Verification, Meal Counting/Claiming (ABVM)
Attendees:
Viridiana Meza- Hills Elementary
Maria Renovo- High School
Janice Braxton- Pathways Middle College HS
Sandra Medrano- Penn Elementary and Early Childhood Center
Marysol Reyes – Middle School
Alex Souza – Assistant Superintendent
2. September 09, 2016: District Training for Lunch Form Application Process and Requirements

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Review and monitor all applications by central office.

Attendees:

Maria Renovo- High School

Janice Braxton- Pathways Middle College HS

Sandra Medrano- Penn Elementary and Early Childhood Center

Marysol Reyes- Middle School

Maria Garcia- Middle School

Jasmin Chavez- Hills Elementary

Alex Souza- Assistant Superintendent

SFS Schools will follow the following processes as a response to these audit findings:

The assistant superintendent will continue to oversee the child nutrition program.

All employees will attend existing as well as additional training:

1. This year, 2017-18, involved staff attended the Application Approval, Benefit Issuance Verification, Meal Counting/Claiming (ABVM) training
2. In October, training was held with all involved staff.
3. January 30, 2018, all staff involved with our Child Nutrition program met to review audit findings and review SFS Schools' requirements and procedures to fulfil State and Federal Child Nutrition Program Guidelines.
4. 4. April 2018, all staff involved with our Child Nutrition program will audit all current forms and verify again that all requirements are followed.

Finally, the Oklahoma Child Nutrition Program reviewed all of our current lunch forms and approved all sites to be Provision II. Their review included verification of all lunch forms, direct certified, and 3% verification in addition to a review of our current process.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

No matters were reportable.

OKC CHARTER SANTA FE
SOUTH SCHOOLS NO. E-021
OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2016 TO JUNE 30, 2017

State of Oklahoma)

County of Oklahoma)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with OKC Charter Santa Fe South Schools No. E- 021 for the audit year 2016-2017.

Arledge and Associates, P.C.
Certified Public Accountants

Auditing Firm

By *Ladonna Seaning*
Authorized Agent

Subscribed and sworn to before me on this 7th day of March, 2018.

Kindall Krehbiel
Notary Public



Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name OKC Charter Santa Fe South Schools

District Number E-021

County Name Oklahoma

County Code 55

Audit Year: 2016-2017

The annual independent audit for the OKC Charter Santa Fe South Schools

(District Name)

was presented to the Board of Education in an Open Board Meeting on Mar 12, 2018

(Date of Meeting)

by Arledge & Associates, P.C.

(Independent Auditor)

Arledge & Associates, P.C.
by LaDonna Seimring
(Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

[Signature]
Superintendent of Schools

Board of Education Vice President

[Signature]
Board of Education President

Board of Education Member

Board of Education Member

[Signature]
Board of Education Member

[Signature]
Board of Education Member

[Signature]
Board of Education Member

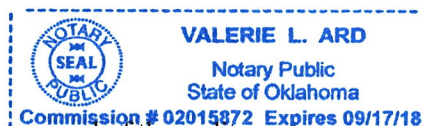
[Signature]
Board of Education Member

Subscribed and sworn before me on 3/12/18

(Sworn On)

Valerie L. Ard
(Notary Public)

My Commission expires 9/17/18



*** A copy of the Board Agenda and Board Minutes with the approval of the audit must accompany the audit. ***