

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
JUNE 30, 2016**

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
JUNE 30, 2016**

TABLE OF CONTENTS

Independent Auditor's Report

Combined Financial Statements

Combined Balance Sheet - Regulatory Basis - All Fund Types and Account Groups	Schedule 1-00
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types	Schedule 2-00
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types.....	Schedule 3-00

Notes to Combined Financial Statements

SUPPORTING SCHEDULES

Combining Financial Statements

Combining Statement of Assets, Liabilities and Fund Balances - Regulatory Basis - Fiduciary Funds.....	Schedule 4-00
Combining Statement of Changes in Assets and Liabilities - Regulatory Basis - All Agency Funds.....	Schedule 5-00

Supplementary Information

Schedule of Expenditures of Federal Awards.....	Schedule 6-00
---	---------------

Report on Internal Control and on Compliance

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

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
JUNE 30, 2016**

TABLE OF CONTENTS (CONTINUED)

Audit Comments

Schedule of Accountant's Professional Liability Insurance Affidavit



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
FAX 580-772-3085

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Education
Santa Fe South Middle School
No. E-011, OKC Charter
Oklahoma City, Oklahoma County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma, component unit of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma, as of and for the year ended June 30, 2016, 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. 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 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 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 modified audit opinions.

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

As described in Note 1, the financial statements are prepared by Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma, 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 meet the requirements of the Oklahoma State Department of Education. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. In addition, the financial statements of the School are intended to provide the financial position and changes in financial position of the Independent School District No. 89 of Oklahoma County, Oklahoma, also known as the Oklahoma City Public Schools, of only that portion of the governmental activities attributable to the transactions of the School. Furthermore, as discussed in Note 1, the financial statements present only the financial position of Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma, and do not purport to, and do not, present fairly the financial position of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma, as of June 30, 2016, 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

However, 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 Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma, as of June 30, 2016, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements that collectively comprise Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma’s basic financial statements. The accompanying Combining Financial Statements and Schedule of Expenditures of Federal Awards as listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016, on our consideration of Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma'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 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 Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma's internal control over financial reporting and compliance.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 12, 2016

COMBINED FINANCIAL STATEMENTS

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**

SANTA FE SOUTH MIDDLE SCHOOL
 NO. E-011 OKC CHARTER
 OKLAHOMA CITY, OKLAHOMA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
 JUNE 30, 2016

	<u>Governmental Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only - Note 1) 2016</u>
	<u>General</u>	<u>Trust and Agency</u>	
<u>ASSETS</u>			
Cash and Investments	\$ 825,377.36	\$ 35,545.15	\$ 860,922.51
Total Assets	<u>\$ 825,377.36</u>	<u>\$ 35,545.15</u>	<u>\$ 860,922.51</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Warrants payable	\$ 76,801.59	\$ 0.00	\$ 76,801.59
Encumbrances	62,502.32	0.00	62,502.32
Due to others	0.00	35,545.15	35,545.15
Total Liabilities	<u>139,303.91</u>	<u>35,545.15</u>	<u>174,849.06</u>
Fund Equity:			
Undesignated	<u>686,073.45</u>	<u>0.00</u>	<u>686,073.45</u>
Total fund balances	<u>686,073.45</u>	<u>0.00</u>	<u>686,073.45</u>
Total Liabilities and Fund Balances	<u>\$ 825,377.36</u>	<u>\$ 35,545.15</u>	<u>\$ 860,922.51</u>

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

SANTA FE SOUTH MIDDLE SCHOOL
 NO. E-011 OKC CHARTER
 OKLAHOMA CITY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - REGULATORY BASIS -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types	Total (Memorandum Only - Note 1) 2016
	General	
Revenues:		
Local sources	\$ 124,727.00	\$ 124,727.00
Charter schools per capita sources	0.00	0.00
Intermediate sources	0.00	0.00
State sources	3,476,231.30	3,476,231.30
Federal Sources	591,992.72	591,992.72
	4,192,951.02	4,192,951.02
Total Revenues Collected		
Expenditures:		
Instruction	2,179,084.51	2,179,084.51
Support services	1,561,839.57	1,561,839.57
Non - Instructional services	341,011.09	341,011.09
Capital outlay	0.00	0.00
Other outlays	3,267.82	3,267.82
	4,085,202.99	4,085,202.99
Total Expenditures		
Excess of revenue over (under) expenditures	107,748.03	107,748.03
Adjustments to prior year encumbrances	35,850.68	35,850.68
Prior Period Adjustments	0.00	0.00
Beginning fund balance	542,474.74	542,474.74
Ending fund balance	\$ 686,073.45	\$ 686,073.45

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

SANTA FE SOUTH MIDDLE SCHOOL
 NO. E-011 OKC CHARTER
 OKLAHOMA CITY, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS
 BUDGETED GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
Beginning fund balances, budgetary basis	\$ 542,474.74	\$ 542,474.74	\$ 542,474.74
Revenues:			
Local sources	3,068.95	3,068.95	124,727.00
Charter schools per capita sources	0.00	0.00	0.00
Intermediate sources	0.00	0.00	0.00
State sources	2,243,268.41	3,500,695.89	3,476,231.30
Federal sources	337,593.79	337,593.79	591,992.72
Total Revenue, budgetary basis	<u>2,583,931.15</u>	<u>3,841,358.63</u>	<u>4,192,951.02</u>
Expenditures:			
Instruction	1,770,287.41	2,477,714.89	2,179,084.51
Support services	1,161,839.57	1,561,839.57	1,561,839.57
Non - Instructional services	191,011.09	341,011.09	341,011.09
Capital Outlay	0.00	0.00	0.00
Other Outlays	3,267.82	3,267.82	3,267.82
Debt Service:			
Principal retirement	0.00	0.00	0.00
Interest and fiscal agent charges	0.00	0.00	0.00
Judgments paid	0.00	0.00	0.00
Total Expenditures, budgetary basis	<u>3,126,405.89</u>	<u>4,383,833.37</u>	<u>4,085,202.99</u>
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis	0.00	0.00	650,222.77
Other financing sources (uses):			
Bond sale proceeds	0.00	0.00	0.00
Operating Transfers	0.00	0.00	0.00
Excess of revenues and other sources over (under) expenditures and other uses	0.00	0.00	650,222.77
Adjustments to prior year encumbrances	0.00	0.00	35,850.68
Prior Period Adjustments	0.00	0.00	0.00
Ending fund balances	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 686,073.45</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. **Nature of Organization and Summary of Significant Accounting Policies**

The basic financial statements of Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma (the "School"), component unit of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma, have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education.

The financial statements present only the financial position of Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma, and do not purport to, and do not, present fairly the financial position of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. The more significant of the School's accounting policies are described below.

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 Middle School ("Santa Fe South Schools, Inc.") for the operation of the School, a charter school under the Oklahoma Charter School Act.

The school receives funding from local, state, and federal government sources and must comply with the applicable requirements of these funding source entities.

A. **Reporting Entity**

The School is governed by the board of directors of Santa Fe South Schools, Inc. 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'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 federal or state income taxes only to the extent it generates income from unrelated activities. The School had no unrelated income in the year ended June 30, 2016.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

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. Although, the School is a component unit of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma.

B. Fund Accounting

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

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Governmental Fund Types

Governmental Funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds).

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the 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 includes federal and state restricted monies that must be expended for specific programs.

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 District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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 District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds. The only account group applicable to the School is the general fixed assets account group. As the School does not maintain a record of general fixed assets, the general fixed assets account group is not presented at June 30, 2016.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

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.

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 basic 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.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

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.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

D. Budgets and Budgetary Accounting

Budgets are maintained in the OCAS system of accounting and are included in the financial statements.

E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - The School considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States Government and Agencies or certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2016, is not material to the financial statements.

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.

Compensated Absences - As the School reports under the regulatory basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred. Thus, compensated absences have not been presented.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

F. 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.

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 of the year when the adjustment is made.

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

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

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies, (Continued)

Revenue, Expenses and Expenditures, (Continued)

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.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2016.

G. Statement of Cash Flows

Since the School does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2016 accompanying financial statements.

H. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement 34 establishes new financial reporting requirements for state and local governments throughout the United States of America. The School, along with other Oklahoma charter schools requested and received an exemption from the District to delay the adoption of GASB Statement 34 beginning with fiscal year 2003. When implemented, GASB Statement 34 will require new information and will restructure much of the financial information to include the accrual basis of accounting as prescribed by accounting principles generally accepted in the United States of America that will provide readers a broad overview of the School's finances, in a manner similar to a private-sector business.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. **Cash and Investments**

The School's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Deposits - The District's cash deposits at June 30, 2016, are categorized to give an indication of the level of risk assumed by the School at year end as follows:

Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the School or by its agent in the District's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

	Category			Bank Balance
	(A)	(B)	(C)	
Cash	\$ 285,545.15	\$ 575,377.36	\$ 0.00	\$ 860,922.51
Investments	0.00	0.00	0.00	0.00
Totals	\$ 285,545.15	\$ 575,377.36	\$ 0.00	\$ 860,922.51

3. **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 \$206.27 for the year ended June 30, 2016.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 officials 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

Grantor Agencies - 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.

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.

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Other Information, (Continued)

Employee Benefit Plan, (Continued)

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, 2015 until November 14, 2016. 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, 2015 until November 14, 2016. 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, 2015 until July 28, 2016. The School has a public official dishonesty bond with RLI Insurance Company for the Activity Fund Custodian, bond number LSM0606265, which covers Maria Garcia for the penal sum of \$1,000.00 from November 14, 2015 until November 14, 2016. The School has a public official dishonesty bond with RLI Insurance Company for the Encumbrance Clerk/Activity Fund Custodian, bond number LSM0638283, which covers Jeff Jenkins for the penal sum of \$1,000.00 from July 1, 2015 until July 1, 2016. In addition, 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, 2015 until July 1, 2016.

G. Subsequent Events

Management has evaluated subsequent events through December 12, 2016, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

SUPPORTING SCHEDULES

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**

COMBINING FINANCIAL STATEMENTS

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**

SANTA FE SOUTH MIDDLE SCHOOL
 NO. E-011 OKC CHARTER
 OKLAHOMA CITY, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 - REGULATORY BASIS - FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency Fund</u> Activity Funds	<u>Totals</u> 2016
<u>ASSETS</u>		
Cash and Investments	\$ 35,545.15	\$ 35,545.15
Total Assets	<u>\$ 35,545.15</u>	<u>\$ 35,545.15</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Due to others	\$ 35,545.15	\$ 35,545.15
Total Liabilities	<u>35,545.15</u>	<u>35,545.15</u>
 Total fund balances	 <u>0.00</u>	 <u>0.00</u>
Total Liabilities and Fund Balances	<u>\$ 35,545.15</u>	<u>\$ 35,545.15</u>

SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS
ALL AGENCY FUNDS
JULY 1, 2015 THROUGH JUNE 30, 2016

<u>ASSETS</u>	Beginning Balance As of 7-1-15	Total Receipts	Total Adjustments	Total Disbursements	Ending Balance As of 6-30-16
ACTIVITIES					
General Activity	\$ 296.87	\$ 208.87	\$ 11.00	\$ 293.97	\$ 222.77
Cheerleading	407.66	3,520.35	0.00	3,523.35	404.66
Folmsbee's Team	414.05	3,651.48	(414.05)	3,648.80	2.68
Student Council	1,106.37	965.20	0.00	0.00	2,071.57
Drama	21.50	50.00	0.00	0.00	71.50
Yearbook	191.85	0.00	0.00	0.00	191.85
Science Olympiad	216.00	105.00	0.00	0.00	321.00
Concessions	6,320.96	9,194.93	47.05	6,983.21	8,579.73
Football	648.35	0.00	0.00	0.00	648.35
Wrestling	2,601.00	2,437.30	0.00	677.30	4,361.00
Patrick's Team	15.20	0.00	(15.20)	0.00	(0.00)
Basketball	12.73	0.00	0.00	0.00	12.73
Baseball	88.10	0.00	0.00	0.00	88.10
Phillip Watson's Team	281.33	460.00	(281.33)	240.00	220.00
Softball	572.18	0.00	0.00	0.00	572.18
Outdoor Ed	20.00	0.00	0.00	0.00	20.00
DC Trip	3,928.59	18,309.00	0.00	22,007.59	230.00
Yearbook	1,187.77	1,815.00	0.00	2,425.00	577.77
Hopkin's Team	124.66	722.00	(124.66)	700.00	22.00
Vizcaino's Team	22.00	0.00	(22.00)	0.00	0.00
Fair's Team	15.22	268.75	(15.22)	241.29	27.46
Soccer	1.94	5,821.33	0.00	4,940.92	882.35
Masten's Team	19.00	400.00	(19.00)	296.99	103.01
Track	326.79	0.00	0.00	326.00	0.79
Villafana's Team	359.00	609.65	(359.00)	597.00	12.65
Suyo's Team	420.65	840.00	(420.65)	769.95	70.05
Troy's Team	155.00	539.00	(155.00)	464.00	75.00
Choir	25.50	0.00	0.00	0.00	25.50
Wilkins Team	52.00	35.00	0.00	0.00	87.00
Brooke Watson's Team	159.25	0.00	(159.25)	0.00	0.00
Barker's Team	174.05	584.00	(174.05)	574.00	10.00
Goodnoh's Team	48.20	330.00	(48.20)	330.00	0.00
Basketball Concessions	105.28	0.00	0.00	0.00	105.28
Demarchi's Team	237.75	0.00	(237.75)	0.00	0.00
Camp Goddard	1,132.12	24,419.49	2,589.36	21,341.33	6,799.64
McBride's Team	53.00	0.00	(53.00)	0.00	0.00
Harris Team	91.00	0.00	(91.00)	0.00	0.00
Chess Club	32.00	10.00	0.00	0.00	42.00
Community Garden	199.25	0.00	0.00	0.00	199.25
Bean Supper	3,140.00	900.00	0.00	308.00	3,732.00
Cell Phone	105.00	195.00	0.00	0.00	300.00
Cowen Team	0.00	659.50	0.00	424.05	235.45
Spanish Dept.	0.00	30.00	0.00	0.00	30.00
Girls Basketball	0.00	1,046.22	295.00	179.25	1,161.97
Honey Bees	0.00	7,514.25	(295.00)	5,747.03	1,472.22
6th Grad Library	0.00	1,095.80	0.00	939.42	156.38
Redman Team	0.00	735.42	0.00	470.90	264.52
Smith Team	0.00	485.00	0.00	478.80	6.20
Baker	0.00	653.00	0.00	521.66	131.34
Faculty Scholarship	0.00	800.00	0.00	0.00	800.00
Pry Team	0.00	446.00	0.00	272.00	174.00
Bowie	0.00	286.00	0.00	262.80	23.20
School Activity Program	58.05	0.00	(58.05)	0.00	0.00
TOTAL ASSETS	\$ 25,387.22	\$ 90,142.54	\$ 0.00	\$ 79,984.61	\$ 35,545.15
<u>LIABILITIES</u>					
Due to Student Groups	\$ 25,387.22	\$ 90,142.54	\$ 0.00	\$ 79,984.61	\$ 35,545.15
TOTAL LIABILITIES	\$ 25,387.22	\$ 90,142.54	\$ 0.00	\$ 79,984.61	\$ 35,545.15

SUPPLEMENTARY INFORMATION

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**

SANTA FE SOUTH MIDDLE SCHOOL
 NO. E-011 OKC CHARTER
 OKLAHOMA CITY, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at July 1, 2015	Receipts	Expenditures	Ending Balance at June 30, 2016
2014-2015 Programs							
Title I	84.010	511	\$ 0.00	\$ (23,755.69)	\$ 23,755.69	\$ 0.00	\$ 0.00
Title II, Part A Tchr & Prin Training & Rort Fun	84.367	541	0.00	(6,228.11)	6,228.11	0.00	0.00
IDEA-B Flowthrough	84.027	621	0.00	(1,827.00)	1,827.00	0.00	0.00
2015-2016 Programs							
Title I	84.010	511	225,230.74	0.00	146,419.14	218,018.36	(71,599.22)
Title II, Part A Tchr & Prin Training & Rort Fun	84.367	541	41,156.63	0.00	19,591.29	32,361.97	(12,770.68)
IDEA-B Flowthrough	84.027	621	73,301.76	0.00	72,322.38	72,322.38	0.00
Total Department of Education			339,689.13	(31,810.80)	270,143.61	322,702.71	(84,369.90)
U.S. Department of Agriculture Passed Through State Dept. of Education:							
Cash Assistance:							
National School Lunch Program	10.555	763	217,078.25	(24,358.02)	241,436.27	217,078.25	0.00
School Breakfast Program	10.553	764	73,182.64	(7,230.20)	80,412.84	73,182.64	0.00
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555	n/a	10,388.54	0.00	10,388.54	10,388.54	0.00
Total USDA			300,649.43	(31,588.22)	332,237.65	300,649.43	0.00
TOTAL FEDERAL ASSISTANCE			\$ 640,338.56	\$ (63,399.02)	\$ 602,381.26	\$ 623,352.14	\$ (84,369.90)

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma under programs of the federal government for the year ended June 30, 2016. The information in this 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 Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma, it is not intended to and does not present the financial position, changes in net position, or cash flows of Santa Fe South Middle School, No. E-011, OKC Charter, Oklahoma City, Oklahoma.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the regulatory basis of accounting. 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. Nonmonetary assistance in the form of commodities is reported in the Schedule at the fair market value of the commodities received and disbursed. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Certain federal awards, permit the School to elect to use a 10 percent *de Minimis* indirect cost rate as allowed under the Uniform Guidance.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

OF

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA**



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507
WEATHERFORD, OK 73096
580-772-3596
FAX 580-772-3085

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

To the Honorable Board of Education
Santa Fe South Middle School
No. E-011 OKC Charter
Oklahoma City, 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 of Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma, component unit of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma's basic financial statements, and have issued our report thereon dated December 12, 2016. As stated in our report, our opinion was adverse with respect to the financial statements not being prepared in conformity with accounting principles generally accepted in the United States of America because the presentation followed the regulatory basis of the financial reporting provisions of the Oklahoma State Department of Education. In addition, the financial statements present only the financial position of Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma, and do not purport to, and do not, present fairly the financial position of Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In our report, 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. In accordance with accounting principles generally accepted in the United States America, Santa Fe South Schools, Inc., Santa Fe South High School, No. E-007 OKC Charter, Oklahoma City, Oklahoma, has issued separate primary government financial statements for which we have issued our report dated December 12, 2016. Our audit, described below, does not include the results of our testing of the primary government internal controls over financial reporting or compliance and other matters that are reported separately in our report issued to the primary government.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma'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* in the United States of America.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 12, 2016

**SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2016**

CURRENT YEAR

(None Reported)

PRIOR YEAR

(None Reported)

SANTA FE SOUTH MIDDLE SCHOOL
NO. E-011 OKC CHARTER
OKLAHOMA CITY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 THROUGH JUNE 30, 2016

State of Oklahoma)
) ss
County of Custer)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountants' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Santa Fe South Middle School, No. E-011 OKC Charter, Oklahoma City, Oklahoma, for the audit year 2015-16.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

James Kuykendall
By _____

Subscribed and sworn to before me this 12th day of December, 2016.

Patty Klein

NOTARY PUBLIC

