

UNIVERSITY OF TEXAS  
UNIVERSITY CHARTER SCHOOL

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2014*

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University of Texas-University Charter School  
Annual Financial Report  
For The Year Ended August 31, 2014

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*Introductory Section*

CERTIFICATE OF BOARD

University of Texas-University Charter School  
Name of School District

Travis  
County

227-806  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one)  approved  disapproved for the year ended August 31, 2014, at a meeting of the Advisory Board of such charter school on the 14 day of January, 2015.

  
Signature of Vice-Chairman

  
Signature of Board Member

If the Advisory Board disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

*Financial Section*

**WEST, DAVIS & COMPANY, LLP**

11824 Jollyville Road, Suite 100

Austin, Texas 78759

**Independent Auditors' Report**

To the Advisory Board  
University of Texas-University Charter School  
Austin, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School ("the School") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the School's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions 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 School'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 School'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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School as of August 31, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

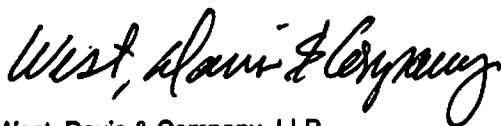
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Texas-University Charter School's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 basic 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, the combining and individual nonmajor fund financial statements and other supplementary information 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of University of Texas-University Charter 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 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 University of Texas-University Charter School's internal control over financial reporting and compliance.



West, Davis & Company, LLP  
Austin, Texas  
January 12, 2015

## University of Texas-University Charter School

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Annual Financial and Compliance Report presents management's discussion and analysis of University of Texas-University Charter School's (the School) financial performance for the fiscal year ended August 31, 2014. This section of the report should be read in conjunction with the independent auditors' report on page 2, and the School's financial statements, which begin on page 10.

#### **FINANCIAL HIGHLIGHTS**

- The School's net position of \$2.2 million decreased by \$809 thousand as a result of this year's operations.
- During the year, the School had operating expenses totaling \$10.8 million.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The School is considered a governmental organization for accounting, financial reporting, and auditing purposes. Organizations other than public corporations and bodies corporate and politic are classified as governmental organizations if they have one or more of the following characteristics:

- Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;
- The potential for unilateral dissolution by a government with the net position reverting to a government; or
- The power to enact and enforce a tax levy.

The School has the potential for unilateral dissolution by The University of Texas at Austin or the Texas Education Agency. Therefore, the School exhibits one of the characteristics and is considered to be a governmental organization for accounting, financial reporting, and auditing purposes.

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 10 through 11. These provide information about the activities of the School as a whole and present a longer-term view of the School's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 12, report the School's operations in more detail than the government-wide statements by providing information about the School's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for the budget.



The notes to the financial statements starting on page 16 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The section labeled Other Supplementary Information Section contains data used by monitoring or regulatory agencies for assurance that the School is using funds supplied in compliance with the terms of grants.

This report consists of three parts – *management’s discussion and analysis* (this section), *independent auditor’s opinion*, and *basic financial statements*.

The basic financial statements include:

- Statement of Net Position includes all of the School’s assets and liabilities. The difference between the School’s assets and liabilities is its net assets. Net position is presented in two components – unrestricted and restricted.
- Statement of Activities reports all of the School’s revenues and expenses. The statement measures the results of the School’s operations.
- Fund financial statements report the School’s operations in more detail.
- The Notes to the Financial Statements present information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. The notes are an integral part of the basic financial statements.

## **FINANCIAL ANALYSIS OF THE SCHOOL**

### **Reporting the School as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the School's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the School is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the School's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the School's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. the School's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities and/or from disadvantaged backgrounds (program revenues), and revenues provided by TEA in equalization funding processes (general revenues). All the School's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years (such as workers’ compensation claims).

These two statements report the School's net position and changes in it. The School's net position (the difference between assets and liabilities) provide one measure of the School's financial health, or financial position. Over time, increases or decreases in the School's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the School, however, you should consider non-financial factors as well, such as changes in the School's average daily attendance.

In the Statement of Net Position and the Statement of Activities, we divide the School into two kinds of activities:

- **Governmental activities**—Most of the School's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. State and federal grants finance most of these activities.
- **Business-type activities**—the School charges a fee to “customers” to help it cover all or most of the cost of services it provides in the child care programs. The School has no such business-type activities.

## **Reporting the School's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the School as a whole. Laws and contracts require the School to establish some funds. The School's administration establishes many other funds to help it control and manage money for particular purposes. The School has only one kind of fund—governmental.

- **Governmental funds**—the School's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the School's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the School's governmental activities.

Net position of the School's governmental activities decreased from \$3.0 million to \$2.2 million. Unrestricted net position – the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$2.2 million at August 31, 2014. This decrease in governmental net position was primarily a result of state revenue decreasing by \$2.2 million while corresponding instructional costs decreased by only \$1.9 million.

Total government-wide revenues decreased from \$12.6 million to \$10 million or 21%. Total government-wide expenses decreased from \$13.2 million to \$10.8 million or 18%.

**Table I**  
**University of Texas-University Charter School**

**NET POSITION**  
in thousands

	Governmental Activities	
	2014	2013
Current and other assets	2,261	3,096
Capital assets	-	-
Total assets	<u>2,261</u>	<u>3,096</u>
Other liabilities	36	62
Total liabilities	<u>36</u>	<u>62</u>
Total net position	<u>2,225</u>	<u>3,034</u>

**Table II**  
**University of Texas - University Charter School**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2014	2013
Grants and Contributions:		
Operating Grants and Contributions	1,361	1,643
Not Restricted	8,634	10,982
Total Grants and Contributions	<u>9,995</u>	<u>12,625</u>
Operating Expenses:		
Instructional	6,151	8,077
Instructional and School Leadership	1,212	1,342
Student Support Services	767	931
Cocurricular/Extracurricular	1	2
General Administration	1,775	2,116
Plant Maintenance & Operation	587	445
Data Processing	311	330
Community Services	-	-
Total Operating Expenses	<u>10,804</u>	<u>13,243</u>
Increase (decrease) in net assets before transfers	(809)	(618)
Net position at Beginning	3,034	3,652
Net position at Ending	<u>2,225</u>	<u>3,034</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

### **Looking Beyond 2013-2014**

In 2013-2014, the School continued to invest in a technology plan to ensure that the most relevant and current hardware and software is being used throughout the School. Before or during the early part of the 2011-2012 school year, all classrooms were outfitted with technology to enhance the instructional program and curriculum. All technology, including computers, is on a replacement schedule that is reasonable and cost efficient.

In the past seven years, the School has invested heavily in professional development, particularly for teachers and other instructional support and administrative staff in an effort to ensure that instruction is based on scientific research and best practices. This training was reduced for 2013-2014. Campus and School administration will strive to minimize the impact on efforts to improve instruction.

The School will continue to monitor expenses related to the transition of teachers to the School employment and will make adjustments accordingly in future budgets.

School staff will continue to monitor staffing and enrollment trends in order to make appropriate adjustments in future budgets.

The offices for the School and the UT Elementary Charter School (UTES) have now merged into one central office. As a result of having one School office providing support to both the School and UTES, there is a smaller administration team supporting all 14 campuses. In order to create this new structure, the School had to eliminate 11 district staff. The School also asked staff such as our finance and human resources directors to provide support to both the School and UTES. This provides cost savings and efficiency for both schools. As a result of the previous School business model lacking efficiency, staff are developing a new business plan for the School. Their goal is to have this new business plan ready by the end of the school year.

In February 2015, the School office is moving from its North MoPac location to UTES. Staff members are excited to be in one location with UTES serving as the hub of the University of Texas Charter School System. As a result of this move, the School will have a significant cost savings over the next three years.

Building new relationships with the community has been at the forefront of the School's work this semester. The School is happy to say that three new campuses will be opening in 2015. These schools will support the following facilities: Rock Springs Hospital in Georgetown, Austin Oaks Hospital in Austin, and Shoal Creek at Seton Hospital in Austin. All of these facilities support mental wellness for children in kindergarten - 12th grade.

A strategic planning committee composed of the School Advisory Board members, the School principals, and DDCE senior staffs are working with a consultant, Ken Harris, on strategic planning for the School. Sub-committees have thus far conducted a SWOT (strengths, weaknesses, opportunities, and threats) analysis and developed best practices for the School's principals to create and sustain effective relationships with key partners within the facilities where the School campuses are located. In addition, the School recently sent out surveys to collect feedback from the community (parents, teachers, staff, and facility directors). In January, the School will have the results of the surveys and will be sharing them with the community. Also forthcoming is an analysis of best practices from charter schools throughout the country that excel at functions such as fundraising, marketing and branding, professional development, and university partnerships.

By the end of the 2014-2015 school year, the School will have a development plan. One source of insight for this plan will emerge from the School's strategic partners and alliance sub-committee within the strategic planning committee. For example, the sub-committee will be identifying fundraising best practices from other charter schools from across the country as well as identifying strategies for gaining and sustaining the commitment of these new partners.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office at University of Texas-University Charter School, The University of Texas at Austin, Division of Diversity and Community Engagement, P.O. Box 7667, Austin, Texas 78713.

*Basic Financial Statements*

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL***STATEMENT OF NET POSITION**AUGUST 31, 2014*

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,191,932
1240	<i>Due from Other Governments</i>	69,120
1000	Total Assets	<u>2,261,052</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	35,735
2000	Total Liabilities	<u>35,735</u>
<b>NET POSITION:</b>		
3900	Unrestricted	2,225,317
3000	Total Net Position	<u>\$ 2,225,317</u>

The accompanying notes are an integral part of this statement.

## UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1 Expenses	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:		
11	\$ 5,222,789	\$ 257,087	\$ (4,965,702)
13	928,009	812,890	(115,119)
21	53,510	4,247	(49,263)
23	1,158,096	1,043	(1,157,053)
31	765,177	286,187	(478,990)
33	1,575	--	(1,575)
36	1,025	--	(1,025)
41	1,775,288	--	(1,775,288)
51	587,166	--	(587,166)
53	311,217	--	(311,217)
TG	<u>10,803,852</u>	<u>1,361,454</u>	<u>(9,442,398)</u>
TP	<u>\$ 10,803,852</u>	<u>\$ 1,361,454</u>	<u>(9,442,398)</u>
	General Revenues:		
GC			8,632,254
MI			1,310
TR			<u>8,633,564</u>
CN			<u>(808,834)</u>
NB			3,034,151
NE			<u>\$ 2,225,317</u>

The accompanying notes are an integral part of this statement.



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 2,240,884	\$ (48,952)	\$ 2,191,932
1240	Due from Other Governments	--	69,120	69,120
1000	Total Assets	<u>2,240,884</u>	<u>20,168</u>	<u>2,261,052</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 35,735	\$ --	\$ 35,735
2000	Total Liabilities	<u>35,735</u>	<u>--</u>	<u>35,735</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	20,168	20,168
Committed Fund Balances:				
3545	Other Committed Fund Balance	5,903	--	5,903
3600	Unassigned	2,199,246	--	2,199,246
3000	Total Fund Balances	<u>2,205,149</u>	<u>20,168</u>	<u>2,225,317</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,240,884</u>	<u>\$ 20,168</u>	<u>\$ 2,261,052</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2014*

Total fund balances - governmental funds balance sheet	\$ 2,225,317
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net position of governmental activities - Statement of Net Position	<u>\$ 2,225,317</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**IN FUND BALANCES - GOVERNMENTAL FUNDS**FOR THE YEAR ENDED AUGUST 31, 2014*

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 600	\$ 710	\$ 1,310
5800 <i>State Program Revenues</i>	8,565,380	66,874	8,632,254
5900 <i>Federal Program Revenues</i>	--	1,361,454	1,361,454
5020 <b>Total Revenues</b>	<u>8,565,980</u>	<u>1,429,038</u>	<u>9,995,018</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	4,910,675	312,114	5,222,789
0013 <i>Curriculum and Staff Development</i>	115,119	812,890	928,009
0021 <i>Instructional Leadership</i>	49,263	4,247	53,510
0023 <i>School Leadership</i>	1,157,053	1,043	1,158,096
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	478,565	286,612	765,177
0033 <i>Health Services</i>	1,575	--	1,575
0036 <i>Cocurricular/Extracurricular Activities</i>	1,025	--	1,025
0041 <i>General Administration</i>	1,775,288	--	1,775,288
0051 <i>Facilities Maintenance and Operations</i>	587,166	--	587,166
0053 <i>Data Processing Services</i>	311,217	--	311,217
6030 <b>Total Expenditures</b>	<u>9,386,946</u>	<u>1,416,906</u>	<u>10,803,852</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>(820,966)</u>	<u>12,132</u>	<u>(808,834)</u>
1200 <b>Net Change in Fund Balances</b>	<u>(820,966)</u>	<u>12,132</u>	<u>(808,834)</u>
0100 <b>Fund Balances - Beginning</b>	<u>3,026,115</u>	<u>8,036</u>	<u>3,034,151</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 2,205,149</u>	<u>\$ 20,168</u>	<u>\$ 2,225,317</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014*

Net change in fund balances - total governmental funds	\$ (808,834)
Amounts reported for governmental activities in the Statement of Activities are different because:	
	<hr/>
Change in net position of governmental activities - Statement of Activities	\$ <u>(808,834)</u>

The accompanying notes are an integral part of this statement.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

### A. Summary of Significant Accounting Policies

The basic financial statements of University of Texas-University Charter School (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

University of Texas-University Charter School is chartered by the State Board of Education and accredited by the Texas Education Agency. The school operates within Continuing and Innovative Education at the University of Texas at Austin (UT). UT is accredited with the Southern Association of Colleges and Schools. Courses are developed to the Texas Essential Knowledge and Skills (TEKS) objectives and are TEKS compliant. The School's administrators and staff are degreed and certified for the positions to which they are assigned.

As approved in the charter application, the Superintendent oversees all day to day operations of the University of Texas-University Charter School. The Superintendent reports to the Executive Director of Continuing and Innovative Education (CIE), who reports within the Office of the Executive Vice-President and Provost of The University. The Provost reports to the President of the University, who is ultimately responsible to the Chancellor and UT System Board of Regents. The UT System Board of Regents is appointed by the Governor and confirmed by the State Senate. This reporting structure effectively outlines the governing body of the School with the Interim Executive Director, Provost, and the Board of Regents retaining final oversight. On a monthly basis, an advisory board works to ensure effective management of the School. Community members, students, parents, treatment facility staff, and additional UT members are asked to attend meetings as appropriate. The School provides K-12 educational services to students in residential treatment and special program facilities. By providing individualized education at students' location and at a time tailored to specific need, individuals can continue their education while in residence. Many students returning to public school find success because of the support and flexibility of the School's instructional model.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The School does not allocate indirect expenses in the statement of activities. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School reports the following major governmental funds:

General Fund: This is the School's primary operating fund. It accounts for all financial resources of the School except those required to be accounted for in another fund.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, General capital asset acquisitions are reported as expenditures in governmental funds.

When the School incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the School's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Capital Assets

Purchased capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	2-15
Computer Equipment	3-15

b. Receivable and Payable Balances

The School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

d. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

e. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Deposits and Investments

The School's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the School's agent bank approved pledged securities in an amount sufficient to protect School funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The School's funds are maintained by UT.

On a monthly basis, UT provides the School with a statement of account showing all fund activities for the month and ending monthly balances which is then reconciled to the accounts of the School. Such deposits are insured or collateralized with securities held by The University of Texas at Austin in UT's name. The School does not maintain investments of any kind since funds available are retained by UT, therefore, no interest accrues to the School.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

### C. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets being depreciated:</i>				
Furniture and Equipment	\$ 19,549	\$ --	\$ --	\$ 19,549
Vehicles	21,597	--	--	21,597
Total capital assets being depreciated	<u>41,146</u>	<u>--</u>	<u>--</u>	<u>41,146</u>
Less accumulated depreciation for:				
Furniture and Equipment	(19,549)	--	--	(19,549)
Vehicles	(21,597)	--	--	(21,597)
Total accumulated depreciation	<u>(41,146)</u>	<u>--</u>	<u>--</u>	<u>(41,146)</u>
Total capital assets being depreciated, net	--	--	--	--
Governmental activities capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

### D. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
None	None	\$ --	Not Applicable

### E. Commitments Under Noncapitalized Leases

On June 12, 2014 the School exercised its right to terminate the lease for rental space with nine months prior written notice. At the time of this notice the remaining rental obligation per the lease agreement was a total of some \$1.05 million. Upon termination, the School paid an early termination fee of some \$142 thousand. The School's minimum future rental payments for the remaining months September, 2014 through March 11, 2015 are some \$200 thousand.

The employees will move offices to individual sites that the School serves.

### F. Pension Plan

#### 1. Plan Description

All employees of the School employed for one-half or more of the standard work load and who are not exempt from membership under the Texas Constitution and Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (TRS). It is a cost-sharing defined benefit pension plan with all risks and costs provided by the School. All School employees, except those employed for less than one-half the standard work load and who are not exempt by law, are required to participate in TRS as a condition of employment. Benefits are established by state statute and vary based on age at retirement along with number of years of state service.

By statute, covered employees must contribute 6.4 percent of their salary to the plan and the School contributes an amount equal to 6.0 percent times the aggregate annual compensation during the fiscal year .



# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

### 2. Postemployment Health Care and Life Insurance Benefits (OPEB)

OPEB are provided to the System's retirees under the U.T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, Texas Insurance Code.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis.

For the years ended August 31, UT - UCS paid the amounts shown below under this plan relating to retirees.

<u>Fiscal year ended</u>	<u>Number of retirees</u>	<u>Amount</u>
2014	15	\$ 111,000
2013	15	108,000
2012	14	98,000

The details of the System's participation are reflected in its annual report.

### G. Health Care Coverage

UT provides health care benefits to all School employees who meet UT employment qualifications and requirements. Contributions are required for coverage of dependents. During the year, UT deducted amounts from the School's cash accounts to cover their portion of health care coverage.

### H. Commitments and Contingencies

#### 1. Contingencies

The School participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the School at August 31, 2014.

### I. Related Party Transactions

The School operates within Continuing and Innovative Education as detailed in Note A1; therefore, the School has several transactions within UT. In addition to payroll and supplies processed or purchased through UT, significant financial transactions include the following:

Allocation to Continuing and Innovative Education	\$	762,822
Administrative Services Charge to UT		271,504
Total	\$	<u>1,034,326</u>

As noted in Note H1 above, an investigation remains open relating to the allowability of these expenditures.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT G-1**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 600	\$ 600
5800	State Program Revenues	8,266,665	8,466,597	8,565,380	98,783
5020	Total Revenues	8,266,665	8,466,597	8,565,980	99,383
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,942,060	4,916,432	4,910,675	5,757
0013	Curriculum and Staff Development	52,245	120,599	115,119	5,480
	Total Instruction & Instr. Related Services	4,994,305	5,037,031	5,025,794	11,237
Instructional and School Leadership:					
0021	Instructional Leadership	60,123	60,123	49,263	10,860
0023	School Leadership	1,140,432	1,160,247	1,157,053	3,194
	Total Instructional & School Leadership	1,200,555	1,220,370	1,206,316	14,054
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	437,555	482,442	478,565	3,877
0033	Health Services	1,400	1,575	1,575	--
0036	Cocurricular/Extracurricular Activities	1,395	1,025	1,025	--
	Total Support Services - Student (Pupil)	440,350	485,042	481,165	3,877
Administrative Support Services:					
0041	General Administration	1,712,463	1,780,142	1,775,288	4,854
	Total Administrative Support Services	1,712,463	1,780,142	1,775,288	4,854
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	430,808	597,145	587,166	9,979
0053	Data Processing Services	211,806	312,617	311,217	1,400
	Total Support Services - Nonstudent Based	642,614	909,762	898,383	11,379
6030	Total Expenditures	8,990,287	9,432,347	9,386,946	45,401
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(723,622)	(965,750)	(820,966)	144,784
1200	Net Change in Fund Balance	(723,622)	(965,750)	(820,966)	144,784
0100	Fund Balance - Beginning	3,026,115	3,026,115	3,026,115	--
3000	Fund Balance - Ending	\$ 2,302,493	\$ 2,060,365	\$ 2,205,149	\$ 144,784

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	255 ESEA Title II Training & Recruiting
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ (32,798)	\$ (3,870)	\$ (5,277)
1240	Due from Other Governments	32,798	3,870	5,277
1000	Total Assets	<u>—</u>	<u>—</u>	<u>—</u>
<b>LIABILITIES:</b>				
2000	Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	\$ —	\$ —	\$ —
3000	Total Fund Balances	<u>—</u>	<u>—</u>	<u>—</u>
4000	Total Liabilities and Fund Balances	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

288 Title I Part D Subpart 2	410 State Textbook Fund	499 Various Donors Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (27,175)	\$ 12,050	\$ 8,118	\$ (48,952)
<u>27,175</u>	<u>--</u>	<u>--</u>	<u>69,120</u>
<u><del>--</del></u>	<u><del>12,050</del></u>	<u><del>8,118</del></u>	<u><del>20,168</del></u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 12,050</u>	<u>\$ 8,118</u>	<u>\$ 20,168</u>
<u>--</u>	<u>12,050</u>	<u>8,118</u>	<u>20,168</u>
<u><del>--</del></u>	<u><del>12,050</del></u>	<u><del>8,118</del></u>	<u><del>20,168</del></u>

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	255 ESEA Title II Training & Recruiting
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	454,796	410,833	65,307
5020 <b>Total Revenues</b>	<u>454,796</u>	<u>410,833</u>	<u>65,307</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	47,864	127,292	59,257
0013 <i>Curriculum and Staff Development</i>	323,966	159,694	6,050
0021 <i>Instructional Leadership</i>	4,247	--	--
0023 <i>School Leadership</i>	432	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	78,287	123,847	--
6030 <b>Total Expenditures</b>	<u>454,796</u>	<u>410,833</u>	<u>65,307</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

288 Title I Part D Subpart 2	410 State Textbook Fund	499 Various Donors Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 710	\$ 710
--	66,874	--	66,874
430,518	--	--	1,361,454
<u>430,518</u>	<u>66,874</u>	<u>710</u>	<u>1,429,038</u>
22,674	54,399	628	312,114
323,180	--	--	812,890
--	--	--	4,247
611	--	--	1,043
84,053	425	--	286,612
<u>430,518</u>	<u>54,824</u>	<u>628</u>	<u>1,416,906</u>
--	12,050	82	12,132
--	12,050	82	12,132
--	--	8,036	8,036
\$ --	\$ 12,050	\$ 8,118	\$ 20,168



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT H-3**

SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1 <u>Budget</u>	2 <u>Actual</u>	3 Variance Positive (Negative) <u>(Negative)</u>
5700 Local and Intermediate Sources			
Various Donors	1,310	710	(600)
5800 State Program Revenues			
Instructional Materials Allotment	72,000	66,874	(5,126)
Student Success Initiative	--	--	--
	<u>72,000</u>	<u>66,874</u>	<u>(5,126)</u>
5900 Federal Program Revenues			
Title I, Part A, Improving Basic Programs	594,596	454,796	(139,800)
Title I, Part D, Subpart 2, Delinquent Programs	839,510	430,518	(408,992)
IDEA - Part B, Formula	554,821	410,833	(143,988)
Title II Part A - Teacher and Principal Training	85,931	65,307	(20,624)
	<u>2,074,858</u>	<u>1,361,454</u>	<u>(713,404)</u>
5020 Total Revenues	<u>2,148,168</u>	<u>1,429,038</u>	<u>(719,130)</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction & Instructional Related Services:			
11 Instruction	640,464	312,114	328,350
12 Instructional Resources and Media Services	--	--	--
13 Curriculum and Staff Development	938,945	812,891	126,054
Total Instruction & Instr. Related Services	<u>1,579,409</u>	<u>1,125,005</u>	<u>454,404</u>
Instructional and School Leadership:			
21 Instructional Leadership	6,200	4,247	1,953
23 School Leadership	13,566	1,043	12,523
Total Instructional & School Leadership	<u>19,766</u>	<u>5,290</u>	<u>14,476</u>
Support Services - Student (Pupil):			
31 Guidance, Counseling and Evaluation Services	463,506	286,611	176,895
32 Social Work Services	--	--	--
33 Health Services	--	--	--
Total Support Services - Student (Pupil)	<u>463,506</u>	<u>286,611</u>	<u>176,895</u>
Administrative Support Services:			
41 General Administration	--	--	--
Total Administrative Support Services	<u>--</u>	<u>--</u>	<u>--</u>
Support Services - Nonstudent Based:			
53 Data Processing Services	--	--	--
Total Support Services - Nonstudent Based	<u>--</u>	<u>--</u>	<u>--</u>
Ancillary Services:			
61 Community Services	--	--	--
Total Ancillary Services	<u>--</u>	<u>--</u>	<u>--</u>
6030 Total Expenditures	<u>2,062,681</u>	<u>1,416,906</u>	<u>645,775</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	85,487	12,132	73,355
Other Financing Sources (Uses):			
8911 Transfers Out	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--
1200 Net Change in Fund Balances	<u>85,487</u>	<u>12,132</u>	<u>73,355</u>
0100 Fund Balance - Beginning	8,036	8,036	--
3000 Fund Balance - Ending	<u>\$ 93,523</u>	<u>\$ 20,168</u>	<u>\$ 73,355</u>

## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

EXHIBIT J-1

SCHEDULE OF EXPENDITURES BY OBJECT CODE

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

<u>Expenditures</u>		<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
6100	Payroll Costs	\$ 7,312,204	\$ 1,091,747	\$ 8,403,951
6200	Professional and Contract Services	697,975	129,776	827,751
6300	Supplies and Materials	122,951	140,883	263,834
6400	Other Operating Costs	1,253,816	42,740	1,296,556
6600	Capital Outlay	--	11,760	11,760
	Total	<u>\$ 9,386,946</u>	<u>\$ 1,416,906</u>	<u>\$ 10,803,852</u>

**WEST, DAVIS & COMPANY, LLP**

11824 Jollyville Road, Suite 100

Austin, Texas 78759

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Advisory Board  
University of Texas-University Charter School  
Austin, Texas

Members of the Advisory Board:

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise University of Texas-University Charter School's basic financial statements, and have issued our report thereon dated January 12, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 University of Texas-University Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "West, Davis & Company".

West, Davis & Company, LLP  
Austin, TX  
January 12, 2015

**WEST, DAVIS & COMPANY, LLP**

11824 Jollyville Road, Suite 100

Austin, Texas 78759

Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133

Advisory Board  
University of Texas-University Charter School  
Austin, Texas

Members of the Advisory Board:

**Report on Compliance for Each Major Federal Program**

We have audited University of Texas-University Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on University of Texas-University Charter School's major federal program for the year ended August 31, 2014. University of Texas-University Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of University of Texas-University Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University of Texas-University Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, University of Texas-University Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2014.

## Report on Internal Control Over Compliance

Management of University of Texas-University Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered University of Texas-University Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of University of Texas-University Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



West, Davis & Company, LLP  
Austin, TX  
January 12, 2015

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2014*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA Title I Part A- Improving Basic Programs
84.010A	Title I Part D, Subpart 2

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	1461010122780	\$ 454,796
<i>Title I, Part D, Subpart 2 *</i>	84.010A	14610103227806	430,518
Total CFDA Number 84.010A			885,314
<i>IDEA - B Formula *</i>	84.027A	14660001227806600	410,833
Total CFDA Number 84.027A			410,833
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	14694501227806	65,307
Total CFDA Number 84.367A			65,307
Total Passed Through State Department of Education			1,361,454
Total U. S. Department of Education			1,361,454
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,361,454</b>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2014*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of University of Texas-University Charter School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.