

ANNUAL FINANCIAL REPORT

of the

**THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL**

(A department of the University of Texas,
which is an agency of the State of Texas)

For the Year Ended
August 31, 2016

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THE UNIVERSITY OF TEXAS ELEMENTARY SCHOOL

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August 31, 2016

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CERTIFICATE OF BOARD

The University of Texas Elementary School
Name of School

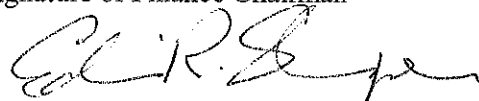
Travis County
County

227-819
School 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, 2016 at a meeting of the Management Board of the Charter School on the 24 day of January, 2017.



Signature of Finance Chairman



Signature of Board President

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Management Board of
The University of Texas Elementary School:

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 The University of Texas Elementary School (the "Charter School") (a department of the University of Texas, which is an agency of the State of Texas) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Charter 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Charter 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 Charter 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.

Opinion

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 the Charter School as of August 31, 2016, and the changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Department of the University

As discussed in Note 1 to the financial statements, the Charter School is a department of the University of Texas, which is an agency of the State of Texas. The financial statements of the Charter School are intended to present the financial position and the changes in financial position of only that portion of the activities of the University of Texas and the State of Texas that is attributable to the Charter School. They do not purport to, and do not, present fairly the financial position of the University of Texas or the State of Texas as of August 31, 2016, or the changes in their financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the Charter School's proportionate share of the net pension liability, and schedule of Charter School contributions, identified as Required Supplementary Information on 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 Charter School's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 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 other supplementary information is 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 9, 2017 on our consideration of the 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 the Charter School's internal control over financial reporting and compliance.

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script. Below the names, 'LLP' is written in a smaller, bold, sans-serif font.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 9, 2017

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

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THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2016

This discussion and analysis of The University of Texas Elementary School's (the "Charter School") financial performance provides an overview of the Charter School's financial activities for the fiscal year ended August 31, 2016. This Management's Discussion and Analysis is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. It should be read in conjunction with the Charter School's financial statements.

FINANCIAL HIGHLIGHTS

- The Charter School's total net position at August 31, 2016 was a deficit of \$702,307.
- For the fiscal year ended August 31, 2016, the Charter School's general fund reported a total fund balance of \$605,830.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the Charter School.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Charter School's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the Charter School's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *instructional* services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Charter School's assets, liabilities, and deferred inflows/outflows of resources. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the Charter School's net position and how it has changed. Net position is the difference between the Charter School's assets, liabilities, and deferred inflows/outflows of resources and is one way to measure the Charter School's financial health or position.

- Over time, increases or decreases in the Charter School's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

- To assess the overall health of the Charter School, one needs to consider additional non-financial factors such as changes in the Charter School's staffing patterns, enrollment, and attendance.

The government-wide financial statements of the Charter School include the *governmental activities*. The Charter School's basic services such as instruction, curriculum and staff development, health services, food services, general administration, and plant maintenance and operation are included in *governmental activities*.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Charter School's most significant funds – not the Charter School as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Management Board establishes other funds to control and manage money set aside for particular purposes.

The Charter School has the following kinds of funds:

- *Governmental funds* – The Charter School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL**
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

FINANCIAL ANALYSIS OF THE CHARTER SCHOOL AS A WHOLE

The Charter School's net position was a deficit of \$702,307 at August 31, 2016. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2016.

Table 1
Net Position

		Governmental Activities		Total Change
		2016	2015	2016-2015
Current assets		\$ 822,459	\$ 1,123,666	\$ (301,207)
Total Assets		<u>822,459</u>	<u>1,123,666</u>	<u>(301,207)</u>
Deferred outflows - pensions		229,635	212,798	16,837
Total Deferred Outflows of Resources		<u>229,635</u>	<u>212,798</u>	<u>16,837</u>
Current liabilities		171,737	188,321	(16,584)
Noncurrent liabilities		1,255,857	1,222,386	33,471
Total Liabilities		<u>1,427,594</u>	<u>1,410,707</u>	<u>16,887</u>
Deferred inflows - pensions		326,807	373,642	(46,835)
Total Deferred Inflows of Resources		<u>326,807</u>	<u>373,642</u>	<u>(46,835)</u>
Net Position:				
Restricted		44,892	47,029	(2,137)
Unrestricted		(747,199)	(494,914)	(252,285)
Total Net Position		<u>\$ (702,307)</u>	<u>\$ (447,885)</u>	<u>\$ (254,422)</u>

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2016	2015	2016-2015
Revenues			
Program revenues:			
Charges for services	\$ 8,810	\$ 12,017	\$ (3,207)
Operating grants and contributions	252,514	236,034	16,480
General revenues:			
Grants and contributions not restricted	2,298,392	2,213,011	85,381
Miscellaneous	711,565	866,979	(155,414)
Total Revenue	3,271,281	3,328,041	(56,760)
Expenses			
Instruction	1,795,099	1,758,210	36,889
Instructional resources and media services	62,959	45,800	17,159
Curriculum and staff development	9,678	12,367	(2,689)
School leadership	327,473	265,542	61,931
Guidance, counseling, and evaluation services	66,645	68,740	(2,095)
Health services	37,021	35,484	1,537
Student (pupil) transportation	42,797	44,309	(1,512)
Food services	223,140	223,290	(150)
General administration	438,815	536,945	(98,130)
Plant maintenance and operations	247,146	208,136	39,010
Security and monitoring	-	2	(2)
Data processing services	14,560	483	14,077
Fundraising	260,370	167,941	92,429
Total Expenses	3,525,703	3,367,249	158,454
Change in Net Position	(254,422)	(39,208)	(215,214)
Beginning net position	(447,885)	(408,677)	(39,208)
Ending Net Position	\$ (702,307)	\$ (447,885)	\$ (254,422)

Net position of the Charter School's governmental activities decreased from a deficit of \$447,885 to a deficit of \$702,307. Unrestricted net position, the part of net position that can be used to finance daily operations without constraints, was a deficit of \$747,199 at August 31, 2016. This decrease in governmental net position was the result of an increase in expenditures for instruction, school leadership, plant maintenance and operations, and fundraising related to an increase in school personnel expenses, including the effect of recording pension expense and the amortization of deferred outflows/inflows related to pensions. The increase in expense is offset by decreases in general administration expenses related to less costs for school personnel in these areas. Also, the decrease in governmental net position can be attributed to the decrease in miscellaneous revenue this fiscal year due to less gifts and donations received.

The Charter School reported deferred outflows and inflows of resources related to its pension plan of \$229,635 and \$326,807, respectively. In addition, the Charter School had \$1,255,857 reported for net pension liability, an increase of \$33,471 from the prior year.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the Charter School prepares an annual budget for the general fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

The amended budgeted revenues were more than the actual revenues for the general fund by \$580 during the year. This negative net variance was primarily the result of more local program revenue received for the general fund.

General fund expenditures were under the amended budget by a net amount of \$21,455. This variance was primarily the result of lower than expected expenditures for guidance, counseling, and evaluation services and food service due to budget reductions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Charter School's Management Board considered many factors when setting the 2016-2017 budget including:

- Average daily attendance
- State aid
- Federal grants
- Donations and contributions

The Charter School plans no additional new programs during 2016-2017 and anticipates revenues to be \$3,136,982 and expenditures to be \$3,381,583, which is in line with current levels.

CONTACTING THE CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter School's business office at 2200 East Sixth Street, R1100, Austin, Texas 78702.

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BASIC FINANCIAL STATEMENTS

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
STATEMENT OF NET POSITION - EXHIBIT A-1
August 31, 2016

Data Control Codes		1
		Governmental Activities
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 769,600
1240	Due from other governments	52,859
1000	Total Assets	822,459
<u>Deferred Outflows of Resources</u>		
1705	Deferred outflows - pensions	229,635
1700	Total Deferred Outflows of Resources	229,635
Total Assets and Deferred Outflows of Resources		\$ 1,052,094
<u>Liabilities</u>		
Current liabilities:		
2110	Accounts payable	171,737
	Total current liabilities	171,737
Noncurrent liabilities		
2540	Net pension liability	1,255,857
	Total noncurrent liabilities	1,255,857
2000	Total Liabilities	1,427,594
<u>Deferred Inflows of Resources</u>		
2605	Deferred inflows - pensions	326,807
2600	Total Deferred Inflows of Resources	326,807
<u>Net Position</u>		
Restricted for:		
3890	Other purposes	44,892
3900	Unrestricted	(747,199)
3000	Total Net Position	(702,307)
Total Liabilities, Deferred Inflows of Resources, and Net Position		\$ 1,052,094

See Notes to Financial Statements.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
STATEMENT OF ACTIVITIES - EXHIBIT B-1
For the Year Ended August 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
	Primary Government				
	Governmental Activities				
0011	Instruction	\$ 1,795,099	\$ -	\$ 151,037	\$ (1,644,062)
0012	Instructional resources and media services	62,959	-	-	(62,959)
0013	Curriculum/instructional	9,678	-	-	(9,678)
0023	School leadership	327,473	-	-	(327,473)
0031	Guidance, counseling, and evaluation services	66,645	-	-	(66,645)
0033	Health services	37,021	-	-	(37,021)
0034	Student (pupil) transportation	42,797	-	-	(42,797)
0035	Food services	223,140	8,810	101,477	(112,853)
0041	General administration	438,815	-	-	(438,815)
0051	Plant maintenance and operations	247,146	-	-	(247,146)
0053	Data processing services	14,560	-	-	(14,560)
0081	Fundraising	260,370	-	-	(260,370)
	Total Governmental Activities	<u>\$ 3,525,703</u>	<u>\$ 8,810</u>	<u>\$ 252,514</u>	<u>(3,264,379)</u>
	General Revenues				
GC	Grants and contributions not restricted				2,298,392
MI	Miscellaneous local and intermediate revenue				711,565
TR				Total General Revenues	<u>3,009,957</u>
CN				Change in Net Position	<u>(254,422)</u>
NB	Beginning net position				<u>(447,885)</u>
NE				Ending Net Position	<u>\$ (702,307)</u>

See Notes to Financial Statements.

THE UNIVERSITY OF TEXAS ELEMENTARY SCHOOL

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2016

Data Control Codes		10	Nonmajor Governmental Funds	98 Total Governmental Funds
		General		
	<u>Assets</u>			
1110	Cash and cash equivalents	\$ 758,316	\$ 11,284	\$ 769,600
1240	Due from other governments	5,840	47,019	52,859
1000	Total Assets	\$ 764,156	\$ 58,303	\$ 822,459
	<u>Liabilities</u>			
2110	Accounts payable	\$ 158,326	\$ 13,411	\$ 171,737
2000	Total Liabilities	158,326	13,411	171,737
	<u>Fund Balances</u>			
	Restricted for:			
3450	Food service operations	-	44,892	44,892
3600	Unassigned	605,830	-	605,830
3000	Total Fund Balances	605,830	44,892	650,722
4000	Total Liabilities and Fund Balances	\$ 764,156	\$ 58,303	
Adjustments for the Statement of Net Position:				
Some liabilities and deferred inflows/outflows				
are not due and payable in the current period and,				
therefore, not reported in the governmental funds.				
	Net pension liability			(1,255,857)
	Deferred outflows - pensions			229,635
	Deferred inflows - pensions			(326,807)
	Net Position of Charter School			\$ (702,307)

See Notes to Financial Statements.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2016

Data Control Codes		10	Nonmajor	98
		General	Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
5700	Local and intermediate sources	\$ 711,565	\$ 8,810	\$ 720,375
5800	State program revenues	2,298,392	20,923	2,319,315
5900	Federal program revenues	-	231,591	231,591
5000	Total Revenues	<u>3,009,957</u>	<u>261,324</u>	<u>3,271,281</u>
<u>Expenditures</u>				
Current:				
0011	Instruction	1,667,351	147,752	1,815,103
0012	Instructional resources and media services	63,536	-	63,536
0013	Curriculum and staff development	6,206	3,472	9,678
0023	School leadership	330,918	-	330,918
0031	Guidance, counseling, and evaluation services	67,111	-	67,111
0033	Health services	37,498	-	37,498
0034	Student (pupil) transportation	42,797	-	42,797
0035	Food services	122,590	101,693	224,283
0041	General administration	442,281	453	442,734
0051	Plant maintenance and operations	237,225	10,091	247,316
0053	Data processing services	14,560	-	14,560
0081	Fundraising	260,370	-	260,370
6000	Total Expenditures	<u>3,292,443</u>	<u>263,461</u>	<u>3,555,904</u>
1200	Net Change in Fund Balances	(282,486)	(2,137)	(284,623)
0100	Beginning fund balances	888,316	47,029	935,345
3000	Ending Fund Balances	<u>\$ 605,830</u>	<u>\$ 44,892</u>	<u>\$ 650,722</u>
Net change in fund balance - governmental funds				\$ (284,623)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.				
Change in net pension liability				(33,471)
Change in contributions subsequent to the measurement period				4,254
Change in deferred outflows - pensions				12,583
Change in deferred inflows - pensions				46,835
Change in Net Position of Governmental Activities				<u>\$ (254,422)</u>

See Notes to Financial Statements.

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THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements are prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and they comply with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The University of Texas Elementary School (the "Charter School") is a department of the University of Texas, which is an agency of the State of Texas. These financial statements present financial information that is attributable to the Charter School and do not purport to, and do not, present fairly the financial position of the University of Texas at Austin (UT) or the State of Texas.

The School is chartered by the State Board of Education and accredited by the TEA. The charter is held by UT. UT is accredited with the Southern Association of Colleges and Schools. Courses are developed to comply with the Texas Essential Knowledge and Skills (TEKS) objectives and are compliant. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

As approved in the Charter School application, the Chief Administrative Officer of the Charter School is the CEO/Executive Director of the Charter School. The CEO/Executive Director reports to the Management Board (the "Board"), who reports to the President of UT, who is ultimately responsible to the University of Texas System (the "System") Board of Regents, appointed by the Governor of the State of Texas and confirmed by the Texas Senate. The reporting structure effectively outlines the governing body of the Charter School, with the President, Vice President, and the Board of Regents retaining final oversight. The Board works to ensure effective operation of the Charter School. The Charter School provides educational curriculum to pre-kindergarten through grade five.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Charter School.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Charter School's funds. Separate statements for each fund category – governmental – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Charter School reports the following governmental funds:

General Fund

The general fund is the Charter School's primary operating fund. It accounts for and reports all financial resources of the Charter School not accounted for and reported in another fund. The major revenue source for the general fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenues sources comprise a substantial portion of the inflows of these special revenue funds. The special revenue funds are considered nonmajor funds for reporting purposes.

During the course of operations, the Charter School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Charter School's funds are held by UT in UT's depository bank. On a monthly basis, UT provides the Charter School with a statement of account showing all fund activities for the month and ending month balances which is then reconciled to the accounts of the Charter School. Such deposits are insured and collateralized along with other UT funds with UT's collateralization agreements with its depository bank.

2. Investments

The Charter School does not maintain investments of any kind.

3. Receivables and Payables

The Charter 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 to further disaggregate those balances.

All receivables are scheduled for collection within one year from year end.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

4. Capital Assets

Since title and ownership of all capital assets are in UT's name, no capital assets are reported in the accompanying financial statements.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Charter School has four items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the Charter School's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge is recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the Charter School's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Charter School has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the Charter School's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members.

6. Long-Term Obligations

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions.

7. Net Position Flow Assumption

Sometimes the Charter School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Charter School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

8. Fund Balance Flow Assumptions

Sometimes the Charter School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Charter School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Charter School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Restricted fund balance represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School's highest level of decision-making authority. The Board is the highest level of decision-making authority for the Charter School. Commitments are approved through the adoption and amendment of the Charter School's budget or a formal resolution stating the commitment. The commitment must be made prior to year end.

Amounts in the assigned fund balance classification are intended to be used by the Charter School for specific purposes but do not meet the criteria to be classified as committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. The Board has retained this authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

11. Data Control Codes

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

12. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the Charter School prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital projects budgets. Supplemental budget appropriations were made for the year.

In accordance with State law, the Charter School prepares an annual budget for the general fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

III. OTHER INFORMATION

A. Risk Management

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The University of Texas carries commercial insurance to cover losses to which the Charter School may be exposed.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

B. Contingent Liabilities

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. In addition, costs charged to federal programs are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Charter School expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Teacher Retirement System

Plan Description

Teacher Retirement System (TRS) is the administrator of the TRS plan (the “TRS Plan”), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, and community and junior colleges. TRS membership is in employee class. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS. Employees of TRS and state of Texas colleges, universities, and medical schools are members of the TRS plan.

Benefits Provided

The TRS Plan provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the 5 highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the 3 highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position is determined using the economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the TRS Plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the TRS Plan’s investment policy, assets, and

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

fiduciary net position may be obtained from TRS' fiscal 2015 Comprehensive Annual Financial Report (CAFR). The CAFR for TRS may be obtained from:

Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

During the measurement period of 2015 for fiscal 2016 reporting, the amount of the Charter School's contributions recognized by the TRS Plan was \$114,457. The contribution rates for the state and the members in the measurement period are presented in the table below:

	<u>TRS Plan</u> <u>Required</u> <u>Contribution</u> <u>Rates</u>
Employer	6.8%
Employees	6.7%

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

Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Methods and Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2015 measurement date.

	<u>TRS Plan</u>
Valuation date	August 31, 2015
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Mortality	
Active	1994 Group Annuity Mortality Table set back 6 years for males and females.
Post-retirement	Client specific tables multiplied by 80%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2015 are summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns *</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Returns	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy & Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

Discount Rate Sensitivity Analysis

A sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Charter School's net pension liability. The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability:

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Charter School's proportionate share of the net pension liability	\$ 1,967,691	\$ 1,255,857	\$ 662,943

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2016, the Charter School reported a liability of \$1,255,857 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion at August 31, 2016 was 0.0035528%. The Charter School's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and the non-employer contributing entity to the TRS Plan for the period September 1, 2014 through August 31, 2015.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities and, therefore, these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period

For the year ending August 31, 2016, the Charter School recognized a net pension expense of \$30,202, which was a result of the Charter School's portion of UT's pension expense of \$134,389 less the net effect of the amortization of deferred outflows and inflows of \$104,187.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2016

At August 31, 2016, the Charter School reported its proportionate share of the TRS Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,719	\$ 48,264
Changes in actuarial assumptions	66,068	44,803
Difference between projected and actual investment return	29,137	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	233,740
Contributions subsequent to measurement date	118,711	-
Total	\$ 229,635	\$ 326,807

The \$118,711 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Year Ended August 31	Pension Expense
2017	\$ (54,874)
2018	(54,874)
2019	(54,874)
2020	38,510
2021	(39,795)
Thereafter	(49,976)
Total	\$ (215,883)

D. Employee Health Care Coverage

The Charter School provides health care benefits through the UT Health Coverage Plan to all Charter School employees who meet UT employment qualifications and requirements.

E. Related Party Transactions

For the fiscal year ended August 31, 2016, UT provided the Charter School with direct funding in the amount of \$212,140. The amount has been included in the revenues reported in the financial statements for the year.

In addition, UT provided the Charter School with funding for administrative and development expenses estimated at \$90,934 for fiscal year 2016.

F. Charter School Operations

The Charter School did not conduct any other charter or non-charter activities.

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REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - EXHIBIT G-1

For the Year Ended August 31, 2016

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
5700	Local and intermediate sources	\$ 712,720	\$ 739,084	\$ 711,565	\$ (27,519)
5800	State program revenues	2,224,749	2,271,453	2,298,392	26,939
5020	Total Revenues	<u>2,937,469</u>	<u>3,010,537</u>	<u>3,009,957</u>	<u>(580)</u>
	Expenditures				
0011	Instruction	1,724,619	1,677,845	1,667,351	10,494
0012	Instructional resources and media services	62,004	64,188	63,536	652
0013	Curriculum and staff development	7,800	7,800	6,206	1,594
0023	School leadership	287,722	332,693	330,918	1,775
0031	Guidance, counseling, and evaluation services	76,395	67,840	67,111	729
0033	Health services	37,329	37,500	37,498	2
0034	Student (pupil) transportation	44,370	44,370	42,797	1,573
0035	Food service	125,874	124,947	122,590	2,357
0041	General administration	446,785	442,296	442,281	15
0051	Plant maintenance and operations	228,171	238,104	237,225	879
0052	Security	200	200	-	200
0053	Data processing services	14,560	14,560	14,560	-
0081	Fundraising	179,820	261,555	260,370	1,185
6030	Total Expenditures	<u>3,235,649</u>	<u>3,313,898</u>	<u>3,292,443</u>	<u>21,455</u>
1200	Net Change in Fund Balance	(298,180)	(303,361)	(282,486)	20,875
0100	Beginning fund balance	888,316	888,316	888,316	-
3000	Ending Fund Balance	<u>\$ 590,136</u>	<u>\$ 584,955</u>	<u>\$ 605,830</u>	<u>\$ 20,875</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2
For the Year Ended August 31, 2016

	Measurement Year*	
	2015	2014
Charter School's proportion of the net pension liability (asset)	0.0035528%	0.0007448%
Charter School's proportionate share of the net pension liability (asset)	\$ 1,255,857	\$ 1,222,386
Charter School's covered employee payroll**	\$ 1,759,133	\$ 1,677,059
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	71.39%	72.89%
Charter School's plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

* Only two years' worth of information is currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

Changes in Assumptions: See notes to the financial statements (Defined Benefit Pension Plan, Teacher Retirement System disclosure) for changes.

Changes in benefits. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the Year Ended August 31, 2016

	Fiscal Year*		
	2016	2015	2014
Contractually required contributions	\$ 114,642	\$ 145,128	\$ 145,401
Contributions in relation to the statutorily required contributions	112,233	135,863	115,078
Contribution deficiency (excess)	<u>\$ 2,409</u>	<u>\$ 9,265</u>	<u>\$ 30,323</u>
Charter School's covered employee payroll	\$ 1,447,499	\$ 1,759,133	\$ 1,677,059
Contributions as a percentage of covered employee payroll	7.75%	7.72%	6.86%

* Only three years' worth of information is currently available.

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OTHER SUPPLEMENTARY INFORMATION

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**THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL**

SCHEDULE OF EXPENSES

For the Year Ended August 31, 2016

Data Control Codes	Expenses	Amount
6100	Payroll costs	\$ 2,849,780
6200	Professional and contractual services	283,150
6300	Supplies and materials	200,519
6400	Other operating costs	192,254
	Total Expenses	\$ 3,525,703

COMPLIANCE



**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***

January 9, 2017

To the Management Board of
The University of Texas Elementary School:

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 The University of Texas Elementary Charter School (the "Charter School") (a department of the University of Texas, which is an agency of the State of Texas) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – EXHIBIT K-1
For the Year Ended August 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The University of Texas Elementary School.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS

None Noted

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2016

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2016

<u>Data Control Codes</u>		<u>Reponses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the Charter School make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the Charter School not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end	\$ -
SF11	Net pension asset (1920) at fiscal year end	\$ -
SF12	Net pension liability (2540) at fiscal year end	\$ 1,255,857
SF13	Pension expense (6147) at fiscal year end	\$ 134,389

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