

ANNUAL FINANCIAL REPORT

of the

**THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL**

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

For the Year Ended
August 31, 2019

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THE UNIVERSITY OF TEXAS ELEMENTARY SCHOOL

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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, 2019 at a meeting of the Management Board of the Charter School on the 21 day of January, 2020.



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)

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FINANCIAL SECTION

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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, 2019, 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, 2019, 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 Matter

While the results of our audit are not modified with respect to this matter, the financial statements of the Charter School are intended to present the financial position and the changes in financial position of The University of Texas (UT), University of Texas System (“UT System”), and the State of Texas (the “State”) that are attributable to the transactions of the Charter School, as discussed in Note I. Transactions associated with facilities, bonds, pensions, and other postemployment benefits related to the Charter School’s activities in the name of UT and/or UT System, are reported by UT and/or UT System, and not the Charter School. The financial statements do not purport to, and do not, present fairly the financial position of UT, UT System, or the State as of August 31, 2019, or the changes in their 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 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, supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 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 the effectiveness of the Charter School's 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.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 15, 2020

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

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THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENTS DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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, 2019. This Management's Discussion and Analysis is unaudited and 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, 2019 was \$913,080.
- For the fiscal year ended August 31, 2019, the Charter School's general fund reported a total fund balance of \$893,030.
- The fund balance for all other governmental funds was \$20,050.

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

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

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 (the "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, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them, if applicable.

**THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL**
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

FINANCIAL ANALYSIS OF THE CHARTER SCHOOL AS A WHOLE

The Charter School's net position was \$913,080 at August 31, 2019. *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, 2019.

**Table 1
Net Position**

		Governmental Activities		Total Change
		2019	2018	2019-2018
Current assets		\$ 1,099,281	\$ 762,784	\$ 336,497
	Total Assets	<u>1,099,281</u>	<u>762,784</u>	<u>336,497</u>
Current liabilities		186,201	166,383	19,818
	Total Liabilities	<u>186,201</u>	<u>166,383</u>	<u>19,818</u>
Net Position:				
Restricted		20,050	38,452	(18,402)
Unrestricted		893,030	557,949	335,081
	Total Net Position	<u>\$ 913,080</u>	<u>\$ 596,401</u>	<u>\$ 316,679</u>

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues			
Program revenues:			
Charges for services	\$ 10,683	\$ 9,904	\$ 779
Operating grants and contributions	280,250	225,151	55,099
General revenues:			
Grants and contributions not restricted	2,489,510	2,390,342	99,168
Miscellaneous	706,578	625,992	80,586
Total Revenue	3,487,021	3,251,389	235,632
Expenses			
Instruction	1,789,583	1,810,783	(21,200)
Instructional resources and media services	74,541	68,439	6,102
Curriculum and staff development	8,053	12,115	(4,062)
School leadership	173,403	185,528	(12,125)
Guidance, counseling, and evaluation services	72,910	65,008	7,902
Health services	32,649	20,858	11,791
Student (pupil) transportation	53,146	55,641	(2,495)
Food services	212,532	219,279	(6,747)
General administration	279,550	315,885	(36,335)
Plant maintenance and operations	266,367	252,860	13,507
Data processing services	21,021	17,000	4,021
Fundraising	186,587	150,274	36,313
Total Expenses	3,170,342	3,173,670	(3,328)
Change in Net Position	316,679	77,719	238,960
Beginning net position	596,401	518,682	77,719
Ending Net Position	\$ 913,080	\$ 596,401	\$ 316,679

Net position of the Charter School's governmental activities increased from \$596,401 to \$913,080. Unrestricted net position, the part of net position that can be used to finance daily operations without constraints, was \$893,030 at August 31, 2019. The increase in net position was primarily the result of an increase in revenues.

FINANCIAL ANALYSIS OF THE CHARTER SCHOOL'S FUNDS

At the close of the fiscal year ending August 31, 2019, the Charter School's governmental funds reported a combined fund balance of \$913,080. This compares to a combined fund balance of \$596,401 at August 31, 2018. The general fund experienced an increase in fund balance of \$335,081. The increase in fund balance in the general fund is due to an increase in revenues combined with decreased expenditures for instruction, food service, and general administration compared to prior year.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, 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 actual revenues were more than the amended budgeted revenues for the general fund by \$201,818 during the year. This variance was primarily the result of more local and intermediate and state revenue sources received than anticipated for the general fund.

General fund expenditures were less than the amended budget by \$180,458. This variance was primarily the result of lower than expected expenditures for instruction, school leadership, food service, and fundraising due to budget reductions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Charter School's Board considered many factors when setting the 2019-2020 budget including:

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

The Charter School plans no additional new programs during 2019-2020 and anticipates revenues of \$3,616,381 and expenditures of \$3,588,593, which are 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 or by calling (512) 471-1434.

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BASIC FINANCIAL STATEMENTS

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
STATEMENT OF NET POSITION - EXHIBIT A-1
August 31, 2019

Data Control Codes		1
		Governmental Activities
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 1,053,140
1240	Due from other governments	46,141
1000		Total Assets
		<u>1,099,281</u>
<u>Liabilities</u>		
2110	Accounts payable	186,201
2000		Total Liabilities
		<u>186,201</u>
<u>Net Position</u>		
Restricted for:		
3890	Other purposes	20,050
3900	Unrestricted	893,030
3000		Total Net Position
		<u>913,080</u>
Total Liabilities and Net Position		\$ 1,099,281
		<u><u>1,099,281</u></u>

See Notes to Financial Statements.

THE UNIVERSITY OF TEXAS ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2019

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
			3 Charges for Services	4 Operating Grants and Contributions	
	Primary Government				
	Governmental Activities				
0011	Instruction	\$ 1,789,583	\$ -	\$ 159,445	\$ (1,630,138)
0012	Instructional resources and media services	74,541	-	-	(74,541)
0013	Curriculum/instructional	8,053	-	-	(8,053)
0023	School leadership	173,403	-	-	(173,403)
0031	Guidance, counseling, and evaluation services	72,910	-	-	(72,910)
0033	Health services	32,649	-	-	(32,649)
0034	Student (pupil) transportation	53,146	-	-	(53,146)
0035	Food services	212,532	10,683	115,811	(86,038)
0041	General administration	279,550	-	4,994	(274,556)
0051	Plant maintenance and operations	266,367	-	-	(266,367)
0053	Data processing services	21,021	-	-	(21,021)
0081	Fundraising	186,587	-	-	(186,587)
	Total Governmental Activities	<u>\$ 3,170,342</u>	<u>\$ 10,683</u>	<u>\$ 280,250</u>	<u>(2,879,409)</u>
	General Revenues				
GC	Grants and contributions not restricted				2,489,510
MI	Miscellaneous local and intermediate revenue				706,578
TR				Total General Revenues	<u>3,196,088</u>
CN				Change in Net Position	<u>316,679</u>
NB	Beginning net position				596,401
NE				Ending Net Position	<u>\$ 913,080</u>

See Notes to Financial Statements.

THE UNIVERSITY OF TEXAS ELEMENTARY SCHOOL

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2019

Data Control Codes		10	Nonmajor Governmental Funds	98 Total Governmental Funds
		General		
	<u>Assets</u>			
1110	Cash and cash equivalents	\$ 1,039,506	\$ 13,634	\$ 1,053,140
1240	Due from other governments	29,801	16,340	46,141
1000	Total Assets	<u>\$ 1,069,307</u>	<u>\$ 29,974</u>	<u>\$ 1,099,281</u>
	<u>Liabilities</u>			
2110	Accounts payable	\$ 176,277	\$ 9,924	\$ 186,201
2000	Total Liabilities	<u>176,277</u>	<u>9,924</u>	<u>186,201</u>
	<u>Fund Balances</u>			
	Restricted for:			
3450	Food service operations	-	20,050	20,050
3600	Unassigned	893,030	-	893,030
3000	Total Fund Balances	<u>893,030</u>	<u>20,050</u>	<u>913,080</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,069,307</u>	<u>\$ 29,974</u>	<u>\$ 1,099,281</u>

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, 2019

Data Control Codes		10	Nonmajor	98
		General	Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
5700	Local and intermediate sources	\$ 706,578	\$ 10,683	\$ 717,261
5800	State program revenues	2,489,510	30,854	2,520,364
5900	Federal program revenues	-	249,396	249,396
5000	Total Revenues	3,196,088	290,933	3,487,021
<u>Expenditures</u>				
0011	Instruction	1,630,138	159,445	1,789,583
0012	Instructional resources and media services	74,541	-	74,541
0013	Curriculum and staff development	8,053	-	8,053
0023	School leadership	173,403	-	173,403
0031	Guidance, counseling, and evaluation services	72,910	-	72,910
0033	Health services	32,649	-	32,649
0034	Student (pupil) transportation	53,146	-	53,146
0035	Food services	67,636	144,896	212,532
0041	General administration	274,556	4,994	279,550
0051	Plant maintenance and operations	266,367	-	266,367
0053	Data processing services	21,021	-	21,021
0081	Fundraising	186,587	-	186,587
6000	Total Expenditures	2,861,007	309,335	3,170,342
1200	Net Change in Fund Balances	335,081	(18,402)	316,679
0100	Beginning fund balances	557,949	38,452	596,401
3000	Ending Fund Balances	\$ 893,030	\$ 20,050	\$ 913,080

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, 2019

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 (UT), which is an agency of the State of Texas (the "State"). UT is one of the universities that make up the University of Texas System (UT System) and UT System is one of six university systems and five independent universities that in total are presented as a major enterprise fund in the State's Comprehensive Annual Financial Report.

UT, the UT System, and the Charter School have elected to define the Charter School's reporting entity to include only activities in the Charter School's name. The Charter School's proportional share of liabilities in the name of UT and/or UT System are reported by UT and/or UT System. Accordingly, transactions associated with facilities and bonds, pensions, and other postemployment benefits related to the Charter School's activities in the name of UT and/or UT System are not reported by the Charter School. However, the Charter School has elected to make limited disclosures with respect to these matters in Notes III.C. and D. The associated financial activities related to these items and required disclosures are made within the UT System's and the State's Annual Financial Reports. 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 UT, UT System, or the State.

The Charter 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 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 UT System Board of Regents (the "Board of Regents"), appointed by the Governor of the State 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 activities of the Charter School. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Charter School has no business-type activities.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

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.

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 nonmajor 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.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

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 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.

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, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Charter 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 Charter School's agent bank approved pledged securities in an amount sufficient to protect Charter 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 insurance. The Charter School's funds are maintained by UT.

On a monthly basis, UT provides the Charter School with a statement of accounts showing all fund activities for the month and ending monthly balances which is then reconciled to the accounts of the Charter School. Such deposits are insured or collateralized with securities held by UT in UT's name.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

The Charter School does not maintain investments of any kind outside the operating bank account since funds available are retained by UT, therefore, the only interest accruing to the Charter School is from the operating bank account.

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.

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. 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.

6. 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.

7. 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.

8. 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

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

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. Amounts that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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 that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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. The Charter School's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. 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.

9. 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, and 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.

10. 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 ensure accuracy in building a statewide database for policy development and funding plans.

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.

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

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. 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. UT carries commercial insurance to cover losses to which the Charter School may be exposed.

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 (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the UT System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the UT System may be required to make contributions in lieu of the State.

All UT System personnel employed in a position on a half-time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of TRS 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 percent of the average of the five 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 three highest annual salaries. TRS does not provide automatic cost-of-living adjustments.

Optional Retirement Program (ORP)

The State has also established an optional defined contribution retirement program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to, director-level and above, librarians, and coaches. ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the UT System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the UT System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the UT System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year.

Additional information may be obtained from the UT System annual financial report:

<https://www.utsystem.edu/documents/docs/report-state/2020/consolidated-annual-financial-report-fy-2019>

D. Postemployment Benefits Other Than Pensions

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan.

Plan Description and Funding Policy

OPEB are provided to the UT System's retirees under the UT System Employee Group Insurance Program (EGIP). EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding EGIP, the State is reporting a proportionate share. Chapter 1551 of the Texas Insurance Code, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) contributions. The State's proportion is 20.82 and 22.83 percent of the collective OPEB related liabilities, deferred outflows and inflows, and expense based on HEGI contributions by the State to total contributions as of August 31, 2019 and 2018. The UT System's

THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

proportion as of August 31, 2019 and 2018 measurement dates was 79.18 and 77.17 percent. At August 31, 2019 and 2018, the amount of the total OPEB liability related to the UT System reported by the State was \$2,723,817,586 and \$3,171,184,120, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on the UT System's financial statements in the fiscal year that the State contributed the amounts for OPEB on the UT System's behalf.

The UT System and member contribution rates are determined annually by the UT System based on the recommendations of the UT System's Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred, the funds appropriated, and the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The UT System revises benefits when necessary to match expected benefit and administrative costs with available revenue. EGIP is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of *GASB Statement No. 75*.

Additional information may be obtained from the UT System annual financial report:

<https://www.utsystem.edu/documents/docs/report-state/2020/consolidated-annual-financial-report-fy-2019>

E. 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.

F. Related Party Transactions

For the fiscal year ended August 31, 2019, 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 \$100,907 for fiscal year 2019.

G. Charter School Operations

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

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
5700	Local and intermediate sources	\$ 734,860	\$ 644,860	\$ 706,578	\$ 61,718
5800	State program revenues	2,349,410	2,349,410	2,489,510	140,100
5020	Total Revenues	<u>3,084,270</u>	<u>2,994,270</u>	<u>3,196,088</u>	<u>201,818</u>
	<u>Expenditures</u>				
0011	Instruction	1,661,413	1,667,433	1,630,138	37,295
0012	Instructional resources and media services	83,556	83,556	74,541	9,015
0013	Curriculum and staff development	11,500	11,500	8,053	3,447
0023	School leadership	259,618	214,618	173,403	41,215
0031	Guidance, counseling, and evaluation services	72,877	79,877	72,910	6,967
0033	Health services	30,264	34,950	32,649	2,301
0034	Student (pupil) transportation	56,000	60,000	53,146	6,854
0035	Food service	132,667	89,667	67,636	22,031
0041	General administration	285,716	285,716	274,556	11,160
0051	Plant maintenance and operations	229,568	279,568	266,367	13,201
0053	Data processing services	17,000	21,073	21,021	52
0081	Fundraising	244,091	213,507	186,587	26,920
6030	Total Expenditures	<u>3,084,270</u>	<u>3,041,465</u>	<u>2,861,007</u>	<u>180,458</u>
1200	Net Change in Fund Balance	-	(47,195)	335,081	382,276
0100	Beginning fund balance	557,949	518,682	557,949	(39,267)
3000	Ending Fund Balance	<u>\$ 557,949</u>	<u>\$ 471,487</u>	<u>\$ 893,030</u>	<u>\$ 343,009</u>

Notes to Required Supplementary Information:

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

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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, 2019

Data Control Codes	Expenses	Amount
6100	Payroll costs	\$ 2,253,635
6200	Professional and contractual services	399,046
6300	Supplies and materials	168,014
6400	Other operating costs	349,647
	Total Expenses	\$ 3,170,342

COMPLIANCE

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**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 15, 2020

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, 2019, 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 15, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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
For the Year Ended August 31, 2019

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. Material weaknesses in internal control were not disclosed by the audit of the basic financial statements.
3. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
4. 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

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THE UNIVERSITY OF TEXAS
ELEMENTARY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2019

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, 2019

<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?	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 <u>not</u> 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	\$ <u><u>-</u></u>
SF11	Net pension asset (1920) at fiscal year end	\$ <u><u>-</u></u>
SF12	Net pension liability (2540) at fiscal year end	\$ <u><u>-</u></u>

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