

**UNIVERSITY OF TEXAS  
UNIVERSITY CHARTER SCHOOL**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2010*

University of Texas-University Charter School  
Annual Financial Report  
For The Year Ended August 31, 2010

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Annual Financial Report  
For The Year Ended August 31, 2010

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*Introductory Section*

CERTIFICATE OF BOARD

University of Texas–University Charter School  
Name of School District

Travis  
County

227-806  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one)  X  approved  disapproved for the period ended August 31, 2010, at a meeting of the Advisory Board of such charter school on the  24th  day of  February ,  2011 .

(ORIGINAL SIGNATURE ON FILE WITH TEA)  
Signature of Vice-Chairman

(ORIGINAL SIGNATURE ON FILE WITH TEA)  
Signature of Chairman

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

*Financial Section*

**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' Report on Financial Statements**

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

Members of the Advisory Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School as of and for the year ended August 31, 2010, which collectively comprise the University of Texas-University Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University of Texas-University Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

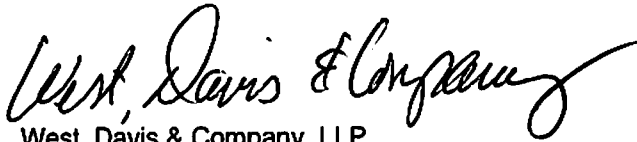
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School as of August 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2011, on our consideration of University of Texas-University Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the University of Texas-University Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



West, Davis & Company, LLP  
February 8, 2011



## University of Texas-University Charter School

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

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

This section of the Annual Financial and Compliance Report presents management's discussion and analysis of University of Texas-University Charter School's (UT-UCS) financial performance for the fiscal year ended August 31, 2010. This section of the report should be read in conjunction with the independent auditors' report on page 2, and UT-UCS's financial statements, which begin on page 9.

#### **FINANCIAL HIGHLIGHTS**

- UT-UCS's net assets of \$6.8 million increased by \$1.7 million as a result of this year's operations.
- During the year, UT-UCS had operating expenses totaling \$17.3 million.

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

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

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

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

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 9 through 10. These provide information about the activities of UT-UCS as a whole and present a longer-term view of UT-UCS's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 11, report UT-UCS's operations in more detail than the government-wide statements by providing information about UT-UCS's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for the budget.

The notes to the financial statements starting on page 15 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

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

The basic financial statements include:

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

## **FINANCIAL ANALYSIS OF UT-UCS**

### **Reporting UT-UCS as a Whole**

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

The analysis of UT-UCS's overall financial condition and operations begins on page 9. Its primary purpose is to show whether UT-UCS is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all UT-UCS's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by UT-UCS's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Assets and the Statement of Activities, we divide UT-UCS into two kinds of activities:

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

## **Reporting UT-UCS's Most Significant Funds**

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

The fund financial statements begin on page 11 and provide detailed information about the most significant funds—not UT-UCS as a whole. Laws and contracts require UT-UCS to establish some funds. UT-UCS's administration establishes many other funds to help it control and manage money for particular purposes. UT-UCS has only one kind of fund—governmental.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of UT-UCS's governmental activities.

Net assets of UT-UCS's governmental activities increased from \$5.1 million to \$6.8 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$6.5 million at August 31, 2010. This increase in governmental net assets was the result of \$0.3 million decrease in operating expenses while revenue increased by \$1.1 million.

Total government-wide revenues increased from \$17.8 million to \$18.9 million or 6.2%. Total government-wide expenses decreased from \$17.6 million to \$17.3 million or 1.7%.

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

**NET ASSETS**  
in thousands

	Governmental Activities	
	2010	2009
Current and other assets	7,129	6,173
Capital assets	0	0
Total assets	<u>7,129</u>	<u>6,173</u>
Other liabilities	350	1,046
Total liabilities	<u>350</u>	<u>1,046</u>
Total net assets	<u>6,779</u>	<u>5,127</u>

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

**CHANGES IN NET ASSETS**  
in thousands

	Governmental Activities	
	2010	2009
Grants and Contributions		
Operating Grants and Contributions	2,859	1,752
Not Restricted	16,093	16,051
	<u>18,952</u>	<u>17,803</u>
Operating Expenses		
Instructional	11,403	11,758
Instructional and School Leadership	1,739	1,623
Guidance / Counseling	1,281	1,340
Cocurricular/Extracurricular	0	1
General Administration	2,019	2,242
Plant Maintenance & Operation	354	383
Data Processing	504	257
Community Services	0	0
	<u>17,300</u>	<u>17,604</u>
Increase (decrease) in net assets before transfers	1,652	199
Net assets at Beginning	<u>5,127</u>	<u>4,927</u>
Net assets at Ending	<u>6,779</u>	<u>5,127</u>

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

### **Looking Beyond 2009-2010**

As a result of Residential Facility Monitoring, TEA mandated that UT-UCS begin a restructuring process that adjusts the roles of teachers in the classroom. In order for UT-UCS to comply with this, seven special education teacher positions were created. Each campus implemented a plan for providing special education services on that campus. In late Spring 2011, each campus and the District as a whole will evaluate the effectiveness of each campus's plan and adjust accordingly for the 2011-2012 school year. This may result in additional costs for providing quality, effective special education services.

In 2010-2011, UT-UCS will continue to invest in a technology plan to ensure that the most relevant and current hardware and software is being used throughout the district. Before or during the early part of the 2010-2011 school year, all classrooms were outfitted with technology to enhance the instructional program and curriculum. All technology, including computers, is on a replacement schedule that is reasonable and cost efficient. The reduction in assets for fiscal year 2010-2011 is not anticipated to exceed \$1.9 million.

UT-UCS will continue to monitor expenses related to the transition of teachers to UT-UCS employment and will make adjustments accordingly in future budgets. This may include a designated fund balance to cover future liabilities for retiree benefits.

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

## **CONTACTING UT-UCS'S FINANCIAL MANAGEMENT**

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

*Basic Financial Statements*

## UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 6,371,184
1240	<i>Due from Other Governments</i>	757,890
1000	Total Assets	<u>7,129,074</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	349,908
2000	Total Liabilities	<u>349,908</u>
<b>NET ASSETS</b>		
Restricted For:		
3820	Federal and State Programs	299,005
3900	Unrestricted	6,480,161
3000	Total Net Assets	<u>\$ 6,779,166</u>

The accompanying notes are an integral part of this statement.

## UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	4	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
11	\$ 9,782,429	\$ 1,021,653	\$ (8,760,776)
12	7,544	6,600	(944)
13	1,612,755	1,446,870	(165,885)
21	194,335	18,548	(175,787)
23	1,545,067	592	(1,544,475)
31	1,272,625	297,462	(975,163)
32	7,425	7,299	(126)
33	1,345	--	(1,345)
36	55	--	(55)
41	2,018,949	--	(2,018,949)
51	353,502	--	(353,502)
53	504,099	59,952	(444,147)
61	19	19	--
TG	17,300,149	2,858,995	(14,441,154)
TP	\$ 17,300,149	\$ 2,858,995	(14,441,154)
General Revenues:			
GC		Grants and Contributions Not Restricted to Specific Programs	16,081,288
MI		Miscellaneous	11,830
TR		Total General Revenues	16,093,118
CN		Change in Net Assets	1,651,964
NB		Net Assets - Beginning	5,127,202
NE		Net Assets - Ending	\$ 6,779,166

The accompanying notes are an integral part of this statement.



## UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 6,829,602	\$ (458,418)	\$ 6,371,184
1240	Due from Other Governments	--	757,890	757,890
1000	Total Assets	<u>\$ 6,829,602</u>	<u>\$ 299,472</u>	<u>\$ 7,129,074</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 349,441	\$ 467	\$ 349,908
2000	Total Liabilities	<u>349,441</u>	<u>467</u>	<u>349,908</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3440	Outstanding Encumbrances	214,977	--	214,977
3490	Other Reserves of Fund Balance	--	299,005	299,005
3600	Unreserved	6,265,184	--	6,265,184
3000	Total Fund Balances	<u>6,480,161</u>	<u>299,005</u>	<u>6,779,166</u>
4000	Total Liabilities and Fund Balances	<u>\$ 6,829,602</u>	<u>\$ 299,472</u>	<u>\$ 7,129,074</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
AUGUST 31, 2010*

Total fund balances - governmental funds balance sheet	\$ 6,779,166
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Net assets of governmental activities - Statement of Net Assets	<u>\$ 6,779,166</u>

The accompanying notes are an integral part of this statement.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5800	\$ 15,906,418	\$ 174,870	\$ 16,081,288
5900	--	2,858,995	2,858,995
5020	<u>15,906,418</u>	<u>3,033,865</u>	<u>18,940,283</u>
<b>EXPENDITURES:</b>			
Current:			
0011	8,710,591	1,071,838	9,782,429
0012	944	6,600	7,544
0013	159,754	1,453,001	1,612,755
0021	175,787	18,548	194,335
0023	1,544,475	592	1,545,067
0031	859,847	412,778	1,272,625
0032	126	7,299	7,425
0033	1,345	--	1,345
0036	55	--	55
0041	2,018,949	--	2,018,949
0051	353,502	--	353,502
0053	393,317	110,782	504,099
0061	--	19	19
6030	<u>14,218,692</u>	<u>3,081,457</u>	<u>17,300,149</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>(47,592)</u>	<u>1,640,134</u>
Other Financing Sources and (Uses):			
7949	11,830	--	11,830
7080	<u>11,830</u>	<u>--</u>	<u>11,830</u>
1200	1,699,556	(47,592)	1,651,964
0100	4,780,605	346,597	5,127,202
3000	<u>\$ 6,480,161</u>	<u>\$ 299,005</u>	<u>\$ 6,779,166</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2010*

Net change in fund balances - total governmental funds	\$ 1,651,964
Amounts reported for governmental activities in the Statement of Activities are different because:	
	<hr/>
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,651,964</u>

The accompanying notes are an integral part of this statement.

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

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

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

##### a. Basis of Presentation

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

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

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

The School reports the following major governmental funds:

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

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Capital Assets

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

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

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

b. Receivable and Payable Balances

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

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

c. Use of Estimates

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

d. Data Control Codes

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

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### B. Deposits and Investments

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

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

### C. Capital Assets

Capital asset activity for the year ended August 31, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets being depreciated:</i>				
Furniture and Equipment	\$ 19,549	\$ --	\$ --	\$ 19,549
Vehicles	43,032	--	21,435	21,597
Total capital assets being depreciated	62,581	--	21,435	41,146
Less accumulated depreciation for:				
Furniture and Equipment	(19,549)	--	--	(19,549)
Vehicles	(43,032)	--	(21,435)	(21,597)
Total accumulated depreciation	(62,581)	--	(21,435)	(41,146)
Total capital assets being depreciated, net	--	--	--	--
Governmental activities capital assets, net	\$ --	\$ --	\$ --	\$ --

### D. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for office facilities provide for minimum future rental payments as of August 31, 2010, as follows:

Year Ending August 31,	
2011	\$ 164,056
2012	171,686
Total Minimum Rentals	\$ 335,742

### E. Pension Plan

#### 1. Plan Description

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

By statute, covered employees must contribute 6.4 percent of their salary to the plan and the School contributes an amount equal to 6.58 percent times the aggregate annual compensation during the fiscal year .

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### F. Health Care Coverage

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

### G. Commitments and Contingencies

#### 1. Contingencies

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

The Texas Education Agency (TEA) has forwarded an anonymous submission to the State Auditor's Office Hotline to the UT Office of Internal Audits. This issue relates to the amounts detailed in Note H of these financial statements. At question is whether these costs are in compliance with subchapter D and E of TEC, Chapter 12. This investigation is ongoing. TEA originally asked for a response by December 29, 2010.

#### 2. Litigation

No reportable litigation was pending against the School at August 31, 2010.

### H. Related Party Transactions

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

Management Fee to Continuing and Innovative Education	\$	981,500
Administrative Services Charge to UT		445,531
Total	\$	<u>1,427,031</u>

As noted in Note G1 above, an investigation is ongoing relating to the allowability of these expenditures.



## *Required Supplementary Information*

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

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT G-1**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5800	State Program Revenues	\$ 15,390,691	\$ 15,390,691	\$ 15,906,418	\$ 515,727
5020	Total Revenues	<u>15,390,691</u>	<u>15,390,691</u>	<u>15,906,418</u>	<u>515,727</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	9,142,340	9,142,340	8,710,591	431,749
0012	Instructional Resources and Media Services	50,249	50,249	944	49,305
0013	Curriculum and Staff Development	273,211	273,211	159,754	113,457
	Total Instruction & Instr. Related Services	<u>9,465,800</u>	<u>9,465,800</u>	<u>8,871,289</u>	<u>594,511</u>
Instructional and School Leadership:					
0021	Instructional Leadership	215,470	215,470	175,787	39,683
0023	School Leadership	1,570,771	1,570,771	1,544,475	26,296
	Total Instructional & School Leadership	<u>1,786,241</u>	<u>1,786,241</u>	<u>1,720,262</u>	<u>65,979</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,163,528	1,163,528	859,847	303,681
0032	Social Work Services	150	150	126	24
0033	Health Services	1,539	1,539	1,345	194
0036	Cocurricular/Extracurricular Activities	1,040	1,040	55	985
	Total Support Services - Student (Pupil)	<u>1,166,257</u>	<u>1,166,257</u>	<u>861,373</u>	<u>304,884</u>
Administrative Support Services:					
0041	General Administration	2,146,795	2,146,795	2,018,949	127,846
	Total Administrative Support Services	<u>2,146,795</u>	<u>2,146,795</u>	<u>2,018,949</u>	<u>127,846</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	430,939	430,939	353,502	77,437
0053	Data Processing Services	394,659	394,659	393,317	1,342
	Total Support Services - Nonstudent Based	<u>825,598</u>	<u>825,598</u>	<u>746,819</u>	<u>78,779</u>
6030	Total Expenditures	<u>15,390,691</u>	<u>15,390,691</u>	<u>14,218,692</u>	<u>1,171,999</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	1,687,726	1,687,726
Other Financing Sources (Uses):					
7949	Other Resources	--	--	11,830	11,830
7080	Total Other Financing Sources and (Uses)	--	--	11,830	11,830
1200	Net Change in Fund Balance	--	--	1,699,556	1,699,556
0100	Fund Balance - Beginning	4,780,605	4,780,605	4,780,605	--
3000	Fund Balance - Ending	<u>\$ 4,780,605</u>	<u>\$ 4,780,605</u>	<u>\$ 6,480,161</u>	<u>\$ 1,699,556</u>

*Combining Statements and Budget Comparisons  
as Supplementary Information*

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

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Part A Improving Basic Programs	224 IDEA-B Formula	255 Title II-Teacher Principal Training	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ (362,583)	\$ (19,074)	\$ (4,304)
1240	Due from Other Governments	362,583	19,074	4,304
1000	Total Assets	\$ --	\$ --	\$ --
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2000	Total Liabilities	--	--	--
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3490	Other Reserves of Fund Balance	--	--	--
3000	Total Fund Balances	--	--	--
4000	Total Liabilities and Fund Balances	\$ --	\$ --	\$ --

262 Enhancing Education Thru Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilization	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	289 ESEA Title I Part D ARRA
\$ (4,500) 4,500	\$ (364,385) 364,385	\$ -- --	\$ -- --	\$ (3,044) 3,044
\$ --	\$ --	\$ --	\$ --	\$ --
\$ -- --	\$ -- --	\$ -- --	\$ -- --	\$ -- --
-- --	-- --	-- --	-- --	-- --
\$ --	\$ --	\$ --	\$ --	\$ --

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	411 Technology Allotment	428 High School Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 7,087	\$ 292,385	\$ (458,418)
1240	Due from Other Governments	--	--	757,890
1000	Total Assets	<u>\$ 7,087</u>	<u>\$ 292,385</u>	<u>\$ 299,472</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 467	\$ 467
2000	Total Liabilities	<u>--</u>	<u>467</u>	<u>467</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3490	Other Reserves of Fund Balance	7,087	291,918	299,005
3000	Total Fund Balances	<u>7,087</u>	<u>291,918</u>	<u>299,005</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,087</u>	<u>\$ 292,385</u>	<u>\$ 299,472</u>

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Part A Improving Basic Programs	224 IDEA-B Formula	255 Title II-Teacher Principal Training
<b>REVENUES:</b>			
5800	\$ --	\$ --	\$ --
5900	1,529,418	466,786	65,713
5020	<u>1,529,418</u>	<u>466,786</u>	<u>65,713</u>
<b>EXPENDITURES:</b>			
Current:			
0011	140,387	215,446	1,058
0012	6,600	--	--
0013	1,149,022	161,928	64,364
0021	17,670	878	--
0023	192	--	--
0031	215,528	81,235	291
0032	--	7,299	--
0053	--	--	--
0061	19	--	--
6030	<u>1,529,418</u>	<u>466,786</u>	<u>65,713</u>
1100			
1100	--	--	--
1200	--	--	--
0100	--	--	--
3000	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

262 Enhancing Education Thru Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilization	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	289 ESEA Title I Part D ARRA
\$ -- <u>5,227</u> <u>5,227</u>	\$ -- <u>364,385</u> <u>364,385</u>	\$ -- <u>158,459</u> <u>158,459</u>	\$ -- <u>118,876</u> <u>118,876</u>	\$ -- <u>150,131</u> <u>150,131</u>
-- -- 5,227 -- -- -- -- -- <u>5,227</u>	364,385 -- -- -- -- -- -- <u>364,385</u>	158,459 -- -- -- -- -- -- <u>158,459</u>	45,862 -- 26,476 -- 371 349 -- 45,818 -- <u>118,876</u>	96,056 -- 39,853 -- 29 59 -- 14,134 -- <u>150,131</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	411 Technology Allotment	428 High School Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5800 State Program Revenues	\$ 30,064	\$ 144,806	\$ 174,870
5900 Federal Program Revenues	--	--	2,858,995
5020 Total Revenues	<u>30,064</u>	<u>144,806</u>	<u>3,033,865</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	7,819	42,366	1,071,838
0012 Instructional Resources and Media Services	--	--	6,600
0013 Curriculum and Staff Development	--	6,131	1,453,001
0021 Instructional Leadership	--	--	18,548
0023 School Leadership	--	--	592
0031 Guidance, Counseling, & Evaluation Services	--	115,316	412,778
0032 Social Work Services	--	--	7,299
0053 Data Processing Services	50,830	--	110,782
0061 Community Services	--	--	19
6030 Total Expenditures	<u>58,649</u>	<u>163,813</u>	<u>3,081,457</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(28,585)	(19,007)	(47,592)
1200 Net Change in Fund Balances	<u>(28,585)</u>	<u>(19,007)</u>	<u>(47,592)</u>
0100 Fund Balances - Beginning	35,672	310,925	346,597
3000 Fund Balances - Ending	<u>\$ 7,087</u>	<u>\$ 291,918</u>	<u>\$ 299,005</u>

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT H-3**

SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
5800 State Program Revenues			
Technology Allotment	\$ 26,592	\$ 30,064	\$ 3,472
High School Allotment	432,294	144,806	(287,488)
	<u>458,886</u>	<u>174,870</u>	<u>(284,016)</u>
5900 Federal Program Revenues			
ESEA Title I Part A	961,067	760,328	(200,739)
ESEA Title I Part D	793,686	769,090	(24,596)
IDEA - Part B, Formula	1,253,316	466,786	(786,530)
Title II Part A - Teacher and Principal Training	125,840	65,713	(60,127)
Title II Part D - Enhancing Education - Technology	10,527	5,227	(5,300)
ARRA of 2009 Title XIV State Fiscal Stabilization Fund	376,173	364,385	(11,788)
Title II Part D -ARRA	12,764	--	(12,764)
IDEA - Part B, Formula ARRA Funds	182,609	158,459	(24,150)
ESEA Title I Part A - ARRA Funds	405,189	118,876	(286,313)
ESEA Title I Part D - ARRA Funds	462,152	150,131	(312,021)
	<u>4,583,323</u>	<u>2,858,995</u>	<u>(1,724,328)</u>
5020 Total Revenues	<u>5,042,209</u>	<u>3,033,865</u>	<u>(2,008,344)</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction & Instructional Related Services:			
11 Instruction	1,327,763	1,071,838	255,925
12 Instructional Resources and Media Services	43,000	6,600	36,400
13 Curriculum and Staff Development	1,569,175	1,453,001	116,174
Total Instruction & Instr. Related Services	<u>2,939,938</u>	<u>2,531,439</u>	<u>408,499</u>
Instructional and School Leadership:			
21 Instructional Leadership	108,644	18,548	90,096
23 School Leadership	34,258	592	33,666
Total Instructional & School Leadership	<u>142,902</u>	<u>19,140</u>	<u>123,762</u>
Support Services - Student (Pupil):			
31 Guidance, Counseling and Evaluation Services	452,370	412,778	39,592
32 Social Work Services	9,648	7,299	2,349
33 Health Services	--	--	--
Total Support Services - Student (Pupil)	<u>462,018</u>	<u>420,077</u>	<u>41,941</u>
Administrative Support Services:			
41 General Administration	--	--	--
Total Administrative Support Services	<u>--</u>	<u>--</u>	<u>--</u>
Support Services - Nonstudent Based:			
53 Data Processing Services	52,000	110,782	(58,782)
Total Support Services - Nonstudent Based	<u>52,000</u>	<u>110,782</u>	<u>(58,782)</u>
Ancillary Services:			
61 Community Services	6,464	19	6,445
Total Ancillary Services	<u>6,464</u>	<u>19</u>	<u>6,445</u>
6030 Total Expenditures	<u>3,603,322</u>	<u>3,081,457</u>	<u>521,865</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	1,438,887	(47,592)	1,391,295
0100 Fund Balance - Beginning	346,597	346,597	--
3000 Fund Balance - Ending	<u>\$ 1,785,484</u>	<u>\$ 299,005</u>	<u>\$ 1,391,295</u>

### *Other Supplementary Information*

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

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

EXHIBIT J-1

*SCHEDULE OF EXPENDITURES BY OBJECT CODE**GENERAL AND SPECIAL REVENUE FUNDS**FOR THE YEAR ENDED AUGUST 31, 2010*

<u>Expenditures</u>		<u>General</u>	<u>Special</u>	<u>Total</u>
		<u>Fund</u>	<u>Revenue</u>	
			<u>Fund</u>	
6100	Payroll Costs	\$ 9,357,620	\$ 2,034,252	\$ 11,391,872
6200	Professional and Contract Services	2,735,525	381,091	3,116,616
6300	Supplies and Materials	401,277	303,141	704,418
6400	Other Operating Costs	1,724,270	338,361	2,062,631
6600	Capital Outlay	--	24,612	24,612
	Total	<u>\$ 14,218,692</u>	<u>\$ 3,081,457</u>	<u>\$ 17,300,149</u>

**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' Report**

Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

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

Members of the Advisory Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University of Texas-University Charter School as of and for the year ended August 31, 2010, which collectively comprise the University of Texas-University Charter School's basic financial statements and have issued our report thereon dated February 8, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University of Texas-University Charter School's internal control over financial reporting as a basis for designing our auditing procedures 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 University of Texas-University Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University of Texas-University Charter School's internal control over financial reporting.

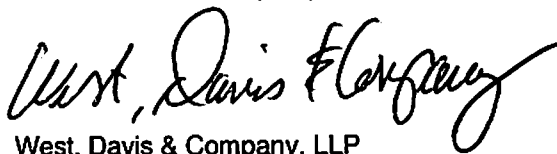
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University of Texas-University Charter School's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the entity, the Advisory Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP  
February 8, 2011

**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' Report**

Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on each Major Program and on Internal Control Over Compliance  
In Accordance With OMB Circular A-133

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

Members of the Advisory Board:

Compliance

We have audited University of Texas-University Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of University of Texas-University Charter School's major federal programs for the year ended August 31, 2010. University of Texas-University Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of University of Texas-University Charter School's management. Our responsibility is to express an opinion on University of Texas-University Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University of Texas-University Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of University of Texas-University Charter School's compliance with those requirements.

In our opinion, University of Texas-University Charter School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, others within the entity, the Advisory Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
West, Davis & Company, LLP  
February 8, 2011



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA Title I Part A-Improving Basic Programs
84.010A	Title I Part D Subpart 2
84.027A	IDEA-B Formula
84.389A	ARRA-ESEA, Title I, Part A Improving Basic Programs
84.389A	ESEA Title I Part D ARRA
84.391A	ARRA IDEA Part B Formula
84.394A	ARRA of 2009 Title XIV State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	1061010122780	\$ 760,328
<i>Title I Part D Subpart 2 *</i>	84.010A	10610103227806	769,090
Total CFDA Number 84.010A			<u>1,529,418</u>
<i>IDEA - B Formula *</i>	84.027A	106600012278066600	466,786
<i>Enhancing Education Thru Technology *</i>	84.318X	10630001227806	5,227
<i>Title II Teacher/Principal Training</i>	84.367A	10694501227806	65,713
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389A	10551001227806	118,876
<i>ESEA Title I Part D ARRA *</i>	84.389A	10551003227806	150,131
Total CFDA Number 84.389A			<u>269,007</u>
<i>ARRA - IDEA-Part B Formula *</i>	84.391A	10554001227806	158,459
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394A	10557001227806	364,385
Total Passed Through State Department of Education			<u>2,858,995</u>
Total U. S. Department of Education			<u>2,858,995</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>2,858,995</u></b>

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

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

Basis of Presentation

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