

**UNIVERSITY OF TEXAS  
UNIVERSITY CHARTER SCHOOL**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2011*

University of Texas-University Charter School  
Annual Financial Report  
For The Year Ended August 31, 2011

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*Introductory Section*


CERTIFICATE OF BOARD

University of Texas-University Charter School  
Name of School District

Travis  
County

227-806  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one)  approved  disapproved for the year ended August 31, 2011, at a meeting of the Advisory Board of such charter school on the 19<sup>th</sup> day of January, 2012

  
Signature of Vice-Chairman

  
Signature of Board Member

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

*Financial Section*

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

**Independent Auditors' Report 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, 2011, 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, 2011, 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 January 12, 2012, 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 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*

West, Davis & Company, LLP  
January 12, 2012

## 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, 2011. 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 \$5.3 million decreased by \$1.5 million as a result of this year's operations.
- During the year, UT-UCS had operating expenses totaling \$16.6 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 and the Texas Education Agency. 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 17 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 decreased from \$6.8 million to \$5.3 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 \$4.9 million at August 31, 2011. This decrease in governmental net assets was the result of \$0.7 million decrease in operating expenses while revenue decreased by \$3.8 million.

Total government-wide revenues decreased from \$18.9 million to \$15.1 million or 20.1%. Total government-wide expenses decreased from \$17.3 million to \$16.6 million or 4.1%.

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

**NET ASSETS**  
in thousands

	Governmental Activities	
	2011	2010
Current and other assets	5,346	7,129
Capital assets	0	0
Total assets	<u>5,346</u>	<u>7,129</u>
Other liabilities	55	350
Total liabilities	<u>55</u>	<u>350</u>
Total net assets	<u>5,291</u>	<u>6,779</u>

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

**CHANGES IN NET ASSETS**  
in thousands

	Governmental Activities	
	2011	2010
Grants and Contributions		
Operating Grants and Contributions	2,907	2,859
Not Restricted	12,214	16,093
	<u>15,121</u>	<u>18,952</u>
Operating Expenses		
Instructional	10,866	11,403
Instructional and School Leadership	1,477	1,739
Guidance / Counseling	1,100	1,281
Cocurricular/Extracurricular	1	0
General Administration	2,359	2,019
Plant Maintenance & Operation	437	354
Data Processing	369	504
Community Services	0	0
	<u>16,609</u>	<u>17,300</u>
Increase (decrease) in net assets before transfers	(1,488)	1,652
Net assets at Beginning	<u>6,779</u>	<u>5,127</u>
Net assets at Ending	<u>5,291</u>	<u>6,779</u>

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

### **Looking Beyond 2010-2011**

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 for the 2009-2010 school year. Each campus implemented a plan for providing special education services on that particular campus. The results of this programmatic change were evaluated and adjustments were made for the 2010-2011 school year. In late Spring 2012, each campus and the District as a whole will evaluate the effectiveness of each campus's plan and adjust accordingly for the 2012-2013 school year. This may result in additional costs for providing quality, effective special education services.

In 2011-2012, 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 2011-2012 school year, all classrooms were outfitted with technology to enhance the instructional program and curriculum. All technology, including computers, is on a replacement schedule that is reasonable and cost efficient. The reduction in assets for fiscal year 2011-2012 is not anticipated to exceed \$2.4 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 committed fund balance to cover future liabilities for retiree benefits.

UT-UCS has two probable conditions that could affect the funding that is available for campus staffing. The first is a reduction in revenue which could be due to one or more factors including a change in population or a reduction in state funding allocations. The second condition is the continuance of fixed costs relative to each campus. Individually or together, these two conditions may reduce the funding available for staffing on a particular campus to a level such that the staffing for the campus is neither safe nor capable of performing at the requisite level of quality. The behavioral and educational needs of the populations of students served at UT-UCS campuses requires a student to teacher and staff ratio that is significantly lower than most educational settings.

If this reduction in available funding for staffing reaches the referenced level, then UT-UCS will be required to close the campus.

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, 2011

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 5,060,129
1240	<i>Due from Other Governments</i>	187,589
1410	<i>Deferred Expenses</i>	98,438
1000	Total Assets	<u>5,346,156</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	55,240
2000	Total Liabilities	<u>55,240</u>
<b>NET ASSETS</b>		
Restricted For:		
3820	Federal and State Programs	381,500
3900	Unrestricted	4,909,416
3000	Total Net Assets	<u>\$ 5,290,916</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, 2011

Data Control Codes	1 Expenses	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
	Governmental Activities:		
11	\$ 9,396,301	\$ 1,160,551	\$ (8,235,750)
12	548	--	(548)
13	1,469,602	1,269,929	(199,673)
21	230,364	33,763	(196,601)
23	1,246,425	10,265	(1,236,160)
31	1,093,949	377,976	(715,973)
32	4,678	4,600	(78)
36	1,277	--	(1,277)
41	2,358,899	--	(2,358,899)
51	437,282	--	(437,282)
53	369,076	49,407	(319,669)
61	690	155	(535)
TG	<u>16,609,091</u>	<u>2,906,646</u>	<u>(13,702,445)</u>
TP	<u>\$ 16,609,091</u>	<u>\$ 2,906,646</u>	<u>(13,702,445)</u>
	General Revenues:		
GC			12,214,196
TR			12,214,196
CN			(1,488,249)
NB			6,779,165
NE			<u>\$ 5,290,916</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	ESEA Title I, A Improving Basic Programs-ARRA	
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 4,864,628	\$ (2,742)
1240	Due from Other Governments	--	2,742
1260	Due from Other Funds	98,438	--
1410	Deferred Expenditures	--	23,086
1000	Total Assets	<u>\$ 4,963,066</u>	<u>\$ 23,086</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ 53,650	\$ --
2170	Due to Other Funds	--	23,086
2000	Total Liabilities	<u>53,650</u>	<u>23,086</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
Committed Fund Balances:			
3545	Other Committed Fund Balance	20,342	--
3600	Unassigned	4,889,074	--
3000	Total Fund Balances	<u>4,909,416</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,963,066</u>	<u>\$ 23,086</u>

The accompanying notes are an integral part of this statement.



ESEA Title I Part D ARRA	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 198,243	\$ 5,060,129
--	184,847	187,589
--	--	98,438
73,598	1,754	98,438
<u>\$ 73,598</u>	<u>\$ 384,844</u>	<u>\$ 5,444,594</u>
\$ --	\$ 1,590	\$ 55,240
73,598	1,754	98,438
<u>73,598</u>	<u>3,344</u>	<u>153,678</u>
--	381,500	381,500
--	--	20,342
--	--	4,889,074
<u>--</u>	<u>381,500</u>	<u>5,290,916</u>
<u>\$ 73,598</u>	<u>\$ 384,844</u>	<u>\$ 5,444,594</u>

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
AUGUST 31, 2011*

Total fund balances - governmental funds balance sheet	\$ 5,290,916
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Net assets of governmental activities - Statement of Net Assets	<u>\$ 5,290,916</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, 2011

Data Control Codes	10  General Fund	ESEA Title I, A Improving Basic Programs-ARRA
<b>REVENUES:</b>		
5800 State Program Revenues	\$ 12,067,762	\$ --
5900 Federal Program Revenues	--	236,603
5020 Total Revenues	<u>12,067,762</u>	<u>236,603</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	8,227,132	195,035
0012 Instructional Resources and Media Services	548	--
0013 Curriculum and Staff Development	186,768	--
0021 Instructional Leadership	196,601	3,340
0023 School Leadership	1,236,160	--
0031 Guidance, Counseling, & Evaluation Services	687,807	--
0032 Social Work Services	78	--
0036 Cocurricular/Extracurricular Activities	1,277	--
0041 General Administration	2,358,899	--
0051 Plant Maintenance and Operations	437,282	--
0053 Data Processing Services	305,420	38,228
0061 Community Services	535	--
6030 Total Expenditures	<u>13,638,507</u>	<u>236,603</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(1,570,745)</u>	--
1200 Net Change in Fund Balances	(1,570,745)	--
0100 Fund Balances - Beginning	6,480,161	--
3000 Fund Balances - Ending	<u>\$ 4,909,416</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

ESEA Title I Part D ARRA	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 133,670	\$ 12,201,432
186,146	2,496,661	2,919,410
<u>186,146</u>	<u>2,630,331</u>	<u>15,120,842</u>
175,597	798,537	9,396,301
--	--	548
172	1,282,662	1,469,602
--	30,423	230,364
--	10,265	1,246,425
--	406,142	1,093,949
--	4,600	4,678
--	--	1,277
--	--	2,358,899
--	--	437,282
10,377	15,051	369,076
--	155	690
<u>186,146</u>	<u>2,547,835</u>	<u>16,609,091</u>
--	82,496	(1,488,249)
--	82,496	(1,488,249)
--	299,004	6,779,165
<u>\$ --</u>	<u>\$ 381,500</u>	<u>\$ 5,290,916</u>

**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, 2011*

Net change in fund balances - total governmental funds	\$ (1,488,249)
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>(1,488,249)</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, 2011

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

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

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

##### a. Basis of Presentation

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

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

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

The School reports the following major governmental funds:

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

# UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011

e. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

B. Deposits and Investments

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

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



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2011*

C. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

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

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 98,438	Short-term loans
	Total	<u>\$ 98,438</u>	

All amounts due are scheduled to be repaid within one year.

E. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for office facilities provide for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ending August 31,</u>	
2012	\$ 171,686
Total Minimum Rentals	<u>\$ 171,686</u>

F. Pension Plan

1. Plan Description

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

By statute, covered employees must contribute 6.4 percent of their salary to the plan and the School contributes an amount equal to 6.58 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, 2011

### G. Health Care Coverage

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

### H. Commitments and Contingencies

#### 1. Contingencies

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

The State Auditor's Office forwarded an anonymous submission to the Texas Education Agency (TEA) that in part addresses concerns about UT-UCS. The TEA then forwarded the submission to the UT Office of Internal Audits. This issue relates to the amounts detailed in Note I of these financial statements. At question was whether these costs are in compliance with subchapter D and E of TEC, Chapter 12. On April 21, 2011, the UT Office of Internal Audits submitted a letter to TEA stating they did not find any evidence to support the allegation that the charter school funds were misused. On August 18, 2011, TEA notified UT Office of Internal Audits that an investigation will be conducted by TEA's financial audits staff. This investigation remains open.

#### 2. Litigation

No reportable litigation was pending against the School at August 31, 2011.

### I. Related Party Transactions

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

Allocation to Continuing and Innovative Education	\$	1,245,063
Administrative Services Charge to UT		404,423
Total	\$	<u>1,649,486</u>

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

## *Required Supplementary Information*

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

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT G-1**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5800	State Program Revenues	\$ 12,593,295	\$ 12,593,295	\$ 12,067,762	\$ (525,533)
5020	Total Revenues	<u>12,593,295</u>	<u>12,593,295</u>	<u>12,067,762</u>	<u>(525,533)</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	7,763,792	8,341,387	8,227,132	114,255
0012	Instructional Resources and Media Services	1,000	1,000	548	452
0013	Curriculum and Staff Development	87,436	291,796	186,768	105,028
	Total Instruction & Instr. Related Services	<u>7,852,228</u>	<u>8,634,183</u>	<u>8,414,448</u>	<u>219,735</u>
Instructional and School Leadership:					
0021	Instructional Leadership	164,272	208,144	196,601	11,543
0023	School Leadership	1,369,112	1,253,778	1,236,160	17,618
	Total Instructional & School Leadership	<u>1,533,384</u>	<u>1,461,922</u>	<u>1,432,761</u>	<u>29,161</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	808,708	689,728	687,807	1,921
0032	Social Work Services	--	100	78	22
0033	Health Services	845	--	--	--
0036	Cocurricular/Extracurricular Activities	500	1,500	1,277	223
	Total Support Services - Student (Pupil)	<u>810,053</u>	<u>691,328</u>	<u>689,162</u>	<u>2,166</u>
Administrative Support Services:					
0041	General Administration	1,804,769	2,433,455	2,358,899	74,556
	Total Administrative Support Services	<u>1,804,769</u>	<u>2,433,455</u>	<u>2,358,899</u>	<u>74,556</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	352,233	447,697	437,282	10,415
0053	Data Processing Services	304,059	390,578	305,420	85,158
	Total Support Services - Nonstudent Based	<u>656,292</u>	<u>838,275</u>	<u>742,702</u>	<u>95,573</u>
Ancillary Services:					
0061	Community Services	--	750	535	215
	Total Ancillary Services	<u>--</u>	<u>750</u>	<u>535</u>	<u>215</u>
6030	Total Expenditures	<u>12,656,726</u>	<u>14,059,913</u>	<u>13,638,507</u>	<u>421,406</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(63,431)	(1,466,618)	(1,570,745)	(104,127)
1200	Net Change in Fund Balance	<u>(63,431)</u>	<u>(1,466,618)</u>	<u>(1,570,745)</u>	<u>(104,127)</u>
0100	Fund Balance - Beginning	6,480,161	6,480,161	6,480,161	--
3000	Fund Balance - Ending	<u>\$ 6,416,730</u>	<u>\$ 5,013,543</u>	<u>\$ 4,909,416</u>	<u>\$ (104,127)</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, 2011

Data Control Codes	211 ESEA Title I Part A Improving Basic Programs	224 IDEA-B Formula	255 Title II-Teacher Principal Training	262 Enhancing Education Thru Technology	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ (140,898)	\$ (14,717)	\$ (1,369)	\$ --
1240	Due from Other Governments	140,898	14,717	1,369	--
1410	Deferred Expenditures	1,754	--	--	--
1000	Total Assets	\$ 1,754	\$ --	\$ --	\$ --
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ --
2170	Due to Other Funds	1,754	--	--	--
2000	Total Liabilities	1,754	--	--	--
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	\$ 1,754	\$ --	\$ --	\$ --

266 ARRA of 2009 Title XIV State Fiscal Stabilization	279 Enhancing Education through Technology-ARRA	411 Technology Allotment	428 High School Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (27,863)	\$ --	\$ 6,236	\$ 376,854	\$ 198,243
27,863	--	--	--	184,847
--	--	--	--	1,754
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,236</u>	<u>\$ 376,854</u>	<u>\$ 384,844</u>
\$ --	\$ --	\$ --	\$ 1,590	\$ 1,590
--	--	--	--	1,754
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,590</u>	<u>3,344</u>
--	--	6,236	375,264	381,500
--	--	6,236	375,264	381,500
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,236</u>	<u>\$ 376,854</u>	<u>\$ 384,844</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, 2011

Data Control Codes	211 ESEA Title I Part A Improving Basic Programs	224 IDEA-B Formula	255 Title II-Teacher Principal Training	262 Enhancing Education Thru Technology
<b>REVENUES:</b>				
5800	State Program Revenues	\$ --	\$ --	\$ --
5900	Federal Program Revenues	1,466,595	641,906	4,592
5020	Total Revenues	<u>1,466,595</u>	<u>641,906</u>	<u>4,592</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	137,133	324,096	--
0013	Curriculum and Staff Development	1,046,861	181,337	36,967
0021	Instructional Leadership	29,813	610	--
0023	School Leadership	5,118	--	5,147
0031	Guidance, Counseling, & Evaluation Services	246,713	131,263	--
0032	Social Work Services	--	4,600	--
0053	Data Processing Services	802	--	--
0061	Community Services	155	--	--
6030	Total Expenditures	<u>1,466,595</u>	<u>641,906</u>	<u>4,592</u>
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100	Expenditures	--	--	--
1200	Net Change in Fund Balances	--	--	--
0100	Fund Balances - Beginning	--	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



266 ARRA of 2009 Title XIV State Fiscal Stabilization	279 Enhancing Education through Technology-ARRA	411 Technology Allotment	428 High School Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 20,417	\$ 113,253	\$ 133,670
328,690	12,764	--	--	2,496,661
<u>328,690</u>	<u>12,764</u>	<u>20,417</u>	<u>113,253</u>	<u>2,630,331</u>
328,690	--	7,018	1,600	798,537
--	12,764	--	141	1,282,662
--	--	--	--	30,423
--	--	--	--	10,265
--	--	--	28,166	406,142
--	--	--	--	4,600
--	--	14,249	--	15,051
--	--	--	--	155
<u>328,690</u>	<u>12,764</u>	<u>21,267</u>	<u>29,907</u>	<u>2,547,835</u>
--	--	(850)	83,346	82,496
--	--	(850)	83,346	82,496
--	--	7,086	291,918	299,004
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,236</u>	<u>\$ 375,264</u>	<u>\$ 381,500</u>

**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**

**EXHIBIT H-3**

SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
5800 State Program Revenues			
Technology Allotment	\$ 21,399	\$ 20,417	\$ (982)
High School Allotment	110,000	113,253	3,253
	<u>131,399</u>	<u>133,670</u>	<u>2,271</u>
5900 Federal Program Revenues			
ESEA Title I Part A	866,263	750,784	(115,479)
ESEA Title I Part D	1,063,355	715,811	(347,544)
IDEA - Part B, Formula	798,542	641,906	(156,636)
Title II Part A - Teacher and Principal Training	130,008	42,114	(87,894)
Title II Part D - Enhancing Education - Technology	5,299	4,592	(707)
ARRA of 2009 Title XIV State Fiscal Stabilization Fund	357,238	328,690	(28,548)
Title II Part D -ARRA	12,764	12,764	--
IDEA - Part B, Formula ARRA Funds	--	--	--
ESEA Title I Part A - ARRA Funds	286,313	236,603	(49,710)
ESEA Title I Part D - ARRA Funds	312,021	186,146	(125,875)
	<u>3,831,803</u>	<u>2,919,410</u>	<u>(912,393)</u>
5020 Total Revenues	<u>3,963,202</u>	<u>3,053,080</u>	<u>(910,122)</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Instruction & Instructional Related Services:			
11 Instruction	1,700,792	1,169,169	531,623
12 Instructional Resources and Media Services	9,500	--	9,500
13 Curriculum and Staff Development	1,668,343	1,282,834	385,509
Total Instruction & Instr. Related Services	<u>3,378,635</u>	<u>2,452,003</u>	<u>926,632</u>
Instructional and School Leadership:			
21 Instructional Leadership	80,762	33,763	46,999
23 School Leadership	10,509	10,265	244
Total Instructional & School Leadership	<u>91,271</u>	<u>44,028</u>	<u>47,243</u>
Support Services - Student (Pupil):			
31 Guidance, Counseling and Evaluation Services	431,097	406,142	24,955
32 Social Work Services	15,000	4,600	10,400
33 Health Services	--	--	--
Total Support Services - Student (Pupil)	<u>446,097</u>	<u>410,742</u>	<u>35,355</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	255,692	63,656	192,036
Total Support Services - Nonstudent Based	<u>255,692</u>	<u>63,656</u>	<u>192,036</u>
Ancillary Services:			
61 Community Services	250	155	95
Total Ancillary Services	<u>250</u>	<u>155</u>	<u>95</u>
6030 Total Expenditures	<u>4,171,945</u>	<u>2,970,584</u>	<u>1,201,361</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(208,743)	82,496	(126,247)
0100 Fund Balance - Beginning	299,005	299,005	--
3000 Fund Balance - Ending	<u>\$ 90,262</u>	<u>\$ 381,501</u>	<u>\$ (126,247)</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, 2011*

<u>Expenditures</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
6100 Payroll Costs	\$ 10,254,470	\$ 2,013,387	\$ 12,267,857
6200 Professional and Contract Services	1,090,987	196,717	1,287,704
6300 Supplies and Materials	322,198	560,022	882,220
6400 Other Operating Costs	1,970,852	175,846	2,146,698
6600 Capital Outlay	--	24,612	24,612
Total	<u>\$ 13,638,507</u>	<u>\$ 2,970,584</u>	<u>\$ 16,609,091</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, 2011, which collectively comprise the University of Texas-University Charter School's basic financial statements and have issued our report thereon dated January 12, 2012. 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.

*West, Davis & Company*

West, Davis & Company, LLP  
January 12, 2012

**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, 2011. 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 compliance 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, 2011.

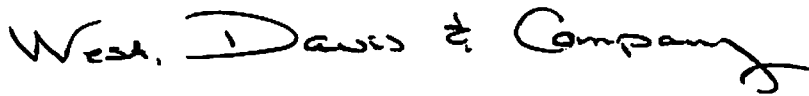
Internal Control Over Compliance

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.

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

West, Davis & Company, LLP  
January 12, 2012



**UNIVERSITY OF TEXAS-UNIVERSITY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**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 Subpart2
84.389A	ARRA-ESEA, Title I, Part A-Improving Basic Programs
84.389A	ESEA Title I Part D ARRA
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**

**EXHIBIT K-1**

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011*

(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	11610101227806	\$ 750,784
<i>Title I Part D Subpart 2 *</i>	84.010A	10610103227806	715,811
Total CFDA Number 84.010A			<u>1,466,595</u>
<i>IDEA - B Formula *</i>	84.027A	116600012278066000	641,906
<i>Enhancing Education Thru Technology *</i>	84.318X	11630001227806	4,592
<i>Title II Teacher/Principal Training</i>	84.367A	11694501227806	42,114
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Technology *</i>	84.386A	10553001227806	12,764
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389A	10551001227806	236,603
<i>ESEA Title I Part D ARRA *</i>	84.389A	10551003227806	186,146
Total CFDA Number 84.389A			<u>422,749</u>
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394A	11557001227806	328,690
Total Passed Through State Department of Education			<u>2,919,410</u>
Total U. S. Department of Education			<u>2,919,410</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>2,919,410</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, 2011*

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.