UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit and Compliance

ITEM: Report on Audit Report and Financial Statements, University of Houston Charter School, FY 2011

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2011. Certification of the audit and financial information by the Board is required by the Texas Education Code, Title 2, Chapter 44, Section 44.008(d).

The key points of the report include the following:

- Report on Internal Control over Financial Reporting (page 1)
- Annual Financial Report (page 3)
- Letter of Transmittal (page 9)
- Financial Section (page 13)
- Management's Discussion and Analysis (page 16)
- Basic Financial Statements (page 27)
- Notes to Basic Financial Statements (page 32)
- Supplementary Information (page 39)

SUPPORTING DOCUMENTATION: Audit Report and Financial Statements of the UH Charter School for FY 2011

FISCAL NOTE: None

RECOMMENDATION/ ACTION REQUESTED: Administration recommends approval of this item

COMPONENT: University of Houston System

Don Guyton 1/25/12

CHIEF AUDIT EXECUTIVE Don Guyton **DATE**

Renu Khator 1/31/12

CHANCELLOR Renu Khator **DATE**

KPMG LLP
811 Main Street
Houston, TX 77002

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*

The Board of Regents
University of Houston Charter School:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School) as of and for the year ended August 31, 2011, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated January 13, 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

Management of the Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain

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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, the board of regents, others within the entity, and the Texas Education Agency and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 17, 2012

KPMG

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2011

(With Independent Auditors' Report Thereon)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

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INTRODUCTORY SECTION

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Certificate of Board

Pending approval from the University of Houston Board of Regents

UNIVERSITY OF HOUSTON CHARTER SCHOOL

University of Houston System Board of Regents – Board Members

Chairman: Carroll Robertson Ray
Vice Chairman: Nelda Luce Blair
Secretary: Mica Mosbacher
Welcome W. Wilson, Sr.
Jim P. Wise
Jacob M. Monty
Nandita V. Berry
Tilman J. Fertitta
Jarvis V. Hollingsworth
Andrew Cobos

Member(s) with terms set to expire August 31, 2011
- Carroll Robertson Ray
- Welcome W. Wilson, Sr.
- Jim P. Wise
- Andrew Cobos

Member(s) with terms set to expire August 31, 2013
- Mica Mosbacher
- Nelda Luce Blair
- Jacob M. Monty

Member(s) with terms set to expire August 31, 2015
- Nandita V. Berry
- Tilman J. Fertitta
- Jarvis V. Hollingsworth

Introduction

The discussion and analysis of the financial position of the University of Houston Charter School (the Charter School or UHCS) provides an overview of the activities for the fiscal years ended August 31, 2011 and 2010. The Management's Discussion and Analysis (MD&A) is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. The MD&A analysis should be read in conjunction with the transmittal letter, the basic financial statements, and the notes to the basic financial statements, which follow this section.

Charter School Profile

In 1996, the Texas State Board of Education (SBOE) granted a five-year charter to operate a public school to the University of Houston, one of the nineteen first generation Texas charter schools. The SBOE then granted a ten-year charter under which UHCS is currently operating. The University of Houston System (UH) Board of Regents is the governing body of UHCS. The school initially enrolled students on a first-come, first-served basis. In 1999, the Texas Education Agency (TEA) required UHCS to begin enrolling students using a lottery system since the school was oversubscribed. The Charter School serves students and families from the greater Houston area. The Charter School opened on January 27, 1997 with one kindergarten/first grade class and three employees. Today, 136 students are enrolled in six classes from kindergarten through fifth grade. Parents of 31% of the currently enrolled children are either UH employees or students. The school is housed in 14,000 square feet of the first floor of Melcher Gymnasium.

All Charter School faculty are UH employees. All teachers meet the highly qualified standards for the "No Child Left Behind" (NCLB) program. The Charter School provides English as a Second Language (ESL), Special Education, and, for qualifying students, breakfast and hot lunches are provided through the National School Breakfast/Lunch Program. After-school and summer tutoring are provided with Title I funds. Teacher literacy, math, and science coaching is provided from Title II and ARRA federal grant.

The setting of a university campus provides a rich experience and base for a school. An intellectual experience, grounds the school. The University of Houston (the University) supports the school with a physical location, including a playground, utilities, and custodial care. UHCS supports the university in research collaborations, University students develop, and practice in a model educational program with programs ranging from athletics to public relations. The school curriculum includes specific classes in art, music, and physical education. Discovery Camp is held each Friday and third, fourth, and fifth graders choose from a variety of classes: Middle Eastern Dance, Gardening, Cooking, Science Club, Scrap Booking, Art Club, Guitar, and Archery. The school participates in the Texas Archery in the Schools Program. For the sixth year, a UHCS archery team has competed in the State Archery in the Schools event.

For the fourth year, the Charter School managed Camp Construct, the before- and after-school care program. The UHCS has filed for a license with the Texas Department of Children and Families to become a licensed child care facility. For the first year, UHCS held a summer Camp Construct program serving current UHCS students and newly enrolling students during the months of June and July.

Planning Panel meetings three times a year provide opportunities for faculty and parents to make decisions and work to improve the program. Parents participate on all of the 15 school committees. Parent Surveys are collected and analyzed.

The Charter School was again assigned the TEA "Exemplary Rating" for the 2010 – 2011 school year, which reflects the students' performance on the Texas Assessment of Knowledge and Skills (TAKS). 100% of UHCS fourth graders passed the Writing TAKS.

91% of all third through fifth graders met passing standards for reading. 87% of all third through fifth graders met passing standards for mathematics and 83% met passing science standards.

Organization Philosophy

Vision Statement The Charter School is a recognized model constructivist school that empowers children, parents, and faculty in the global community to fulfill their potential through autonomy, wonder, and discovery.

Motto Challenging children to construct knowledge and community.

The ideology of the Charter School outlines the ideals and beliefs held by their employees. The Charter School strives to strengthen the social and economic foundation of Houston by offering its youth the highest quality of elementary education.

Thirteen teachers (seven lead and six assistant) lead classes using constructivist practices with an emphasis on technology and lesson plans designed to support children's natural curiosity. Teachers tailor classroom experiences to the needs and interest of each year's students. Reasoning, autonomy, and community are promoted throughout each child's day and life at the Charter School.

The management and staff of the Charter School endorse and support the Charter School's Mission Statement – to provide a student-centered curriculum that enhances the intellectual development, technological fluency, and leadership ability of students. The knowledge gained by the students will allow them to transfer into the sixth grade at other schools and will give them strategic advantages. The positive results that have been achieved have resulted in a continuing high demand for admission into the program, as reflected by a consistent number of applications for enrollment.

Economic Outreach

The Charter School maintains a healthy current ratio (proportion of current assets to current liabilities) of 1.36 and 1.98 for 2011 and 2010 fiscal years, respectively. The Total Resources per Student Ratio (Current Fund balance divided by the Total number of Fulltime students) is $288, $940, and $2,448 for 2011, 2010, and 2009 fiscal years, respectively.

The job growth in the Houston area during the 2010 – 2011 fiscal years has declined slightly in relation to prior years, but there is projected growth in the energy and professional services sectors. The Charter School wants to become more proactive in blending their elementary program with their after school program and activities in this diverse community.

As a result of the strength and commitment of its faculty, students and parents, the Charter School has positioned itself well to respond to future opportunities and challenges of leadership in constructivist professional development and research.

Accounting Systems and Annual Budgets

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The General Fund budget is adopted annually on a basis consistent with the budgetary basis of accounting. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the TEA and a final budget must be prepared and adopted no later than January of the following year.

Major Initiatives and Accomplishments

The facility renovation project was completed during 2009-10 and 2010-11 school year with exception of the wall murals and classroom rugs, which will be completed during the 2011-12 school year. The entry was to be completed with the original renovation but funds were not available to begin this phase of the project. The entry project will continue into the 2011-12 school year.

As stated earlier the Camp Construct program has applied for a Licensed Child Care facility. The process began in June 2011 and the School is awaiting the final inspection prior to the issuing of a license. UHCS continues to look at ways to improve the Child Care program that is provided to its students and their families.

The RSCCC student accounting system was purchased and implemented during the 2010-11 school year has been revised and renamed TxEIS. This is the second year UHCS will be utilizing this student accounting system.

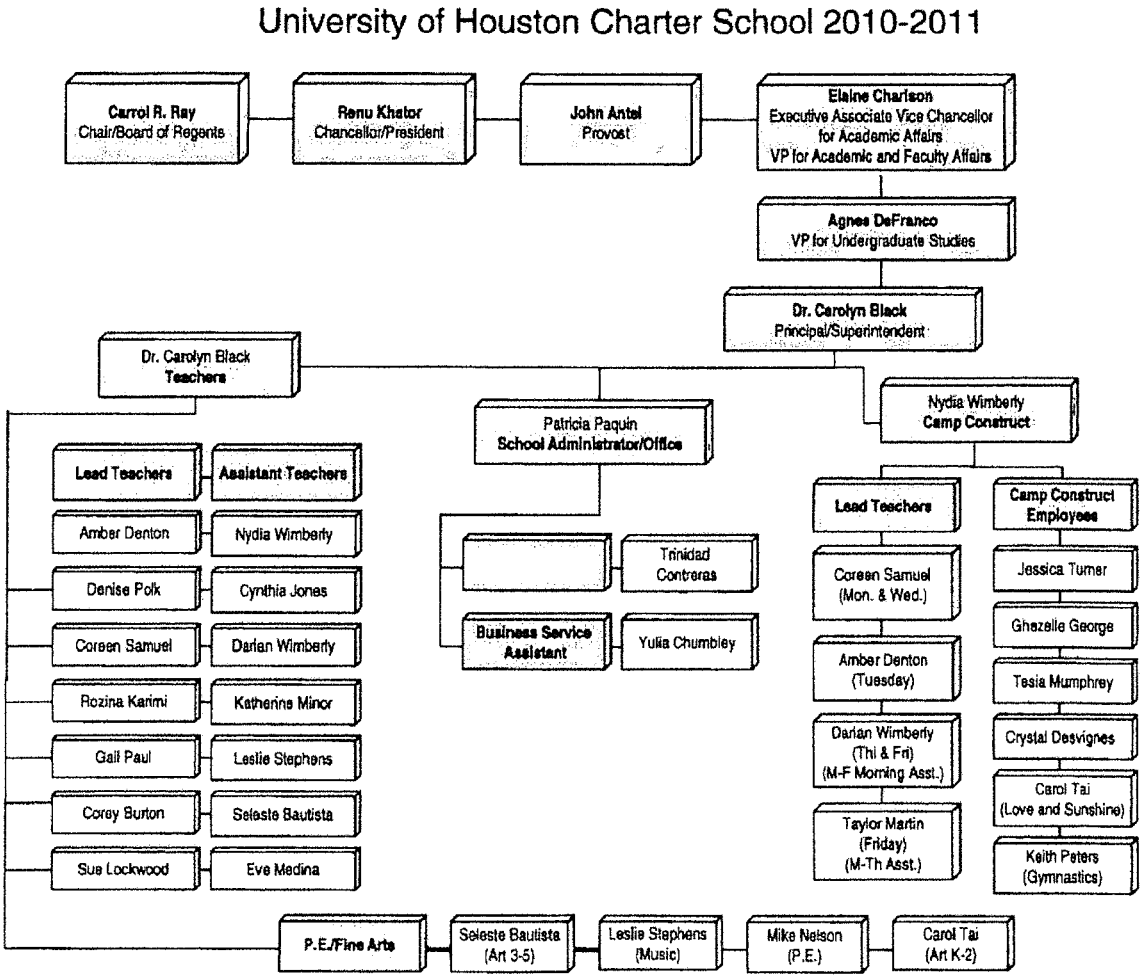
Dr. Carolyn Black continues to serve on the Board of Association for Constructionist Teaching (ACT). The ACT annual conference takes place in the Woodlands, Texas, October 20-23, 2011. Several UHCS staff have been selected to present sessions during the conference and UHCS is the site of the preconference school visit. All UHCS staff will attend the conference.

The technological focus of the school continued with the purchase of 35 laptop computers and 3 iPads for student use.

Contacting the Charter School's Financial Management

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Office of the Executive Vice Chancellor/Vice President for Administration and Finance, University of Houston, Houston, Texas 77204-2016.

UNIVERSITY OF HOUSTON CHARTER SCHOOL ADMINISTRATIVE ORGANIZATION



FINANCIAL SECTION

KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Regents
University of Houston Charter School:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School), a department of the University of Houston System, as of and for the year ended August 31, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in note 1, the financial statements of the Charter School are intended to present the financial position, and the changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston System that is attributable to the transactions of the Charter School. They do not purport to, and do not, present fairly the financial position of the University of Houston System as of August 31, 2011 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School as of August 31, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the Charter School's internal control over financial reporting and 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 Budgetary Comparison Schedule – General Fund listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the required supplementary information, and accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The Introductory Section, Other Supplementary Information Section and Statistical Section are presented for purposes of additional analysis and are not required as part of the financial statements. The Budgetary Comparison Schedule required by the Texas Education Agency – Child Nutrition and Schedule of Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

As discussed in note 7 to the basic financial statements, the Charter School changed its presentation of fund balances in fiscal year 2011 due to the adoption of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

KPMG LLP

January 17, 2012

Introduction

The discussion and analysis of the financial position of the University of Houston Charter School (the Charter School) provides an overview of the activities for the fiscal years ended August 31, 2011 and 2010. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

Overview of the Financial Statements

The Charter School herewith presents its basic financial statements for FY 2011. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board, which establishes generally accepted accounting principles for state and local governments. The Charter School's basic financial statements comprise three components: 1) governmentwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The governmentwide financial statements presented are the statement of net assets and the statement of activities. The notes to the basic financial statements provide additional information and disclosures that are essential to a complete understanding of the data provided in the governmentwide and fund financial statements. The information contained in the basic financial statements of the Charter School is incorporated within the University of Houston System's Annual Financial Report.

Statement of Net Assets

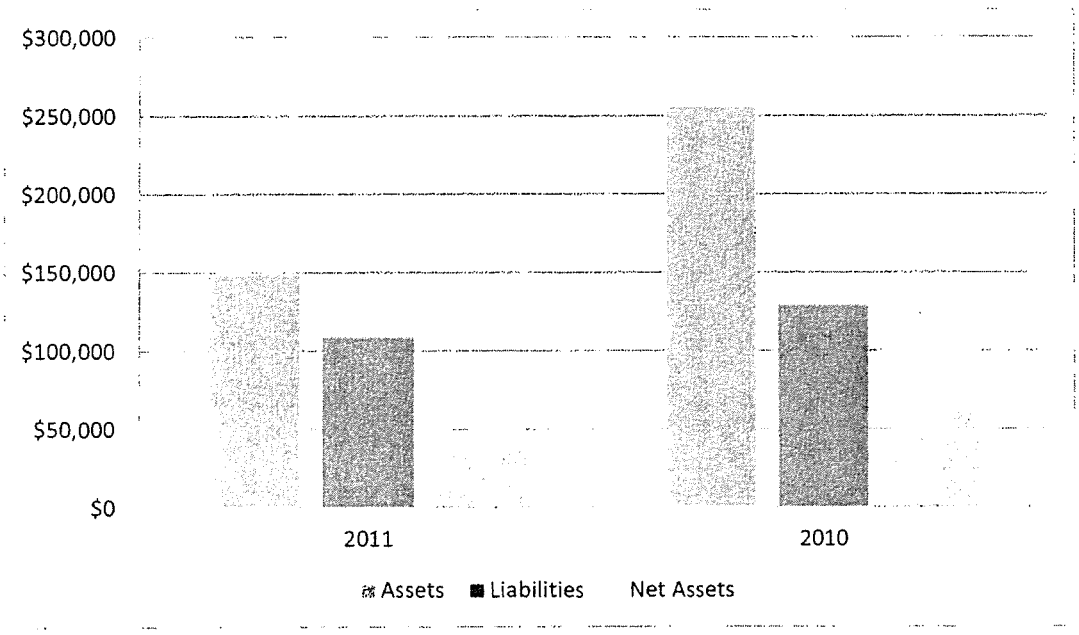
The statement of net assets reflects all the Charter School's assets and liabilities using the full accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Governmentwide financial statements use the economic resources measurement focus and the accrual basis of accounting. Net assets are equal to assets minus liabilities. Unrestricted net assets are available to the Charter School for any lawful purpose. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified. Restricted net assets represent net assets that can be utilized only in accordance with third-party-imposed restrictions.

		2011	2010	Change
Statement of net assets information:				
Assets:				
Current assets	$	145,248	256,136	(110,888)
Total assets	$	145,248	256,136	
Liabilities:				
Current liabilities	$	108,993	129,224	(20,231)
		108,993	129,224	
Net assets:				
Restricted for various programs		31,539	127,628	(96,089)
Unrestricted		4,716	(716)	5,432
Total net assets		36,255	126,912	
Total liabilities and net assets	$	145,248	256,136	

(Continued)

Net Assets 2011 – 2010

Statement of Net Assets Information



Fiscal Year 2011 Compared to 2010

Cash represents almost 99% of the current assets held by the Charter School. Current assets decreased by $110,888 or 43%. Liabilities increased $20,231 or 16%. The ending net assets for restricted state and federal programs were decreased by $96,089. Unrestricted net assets increase by $5,432.

Statement of Activities

The statement of activities identifies all of the Charter School's revenues and expenses and measures the results of the Charter School's operations during the fiscal year. All revenues and expenses are included, regardless of when cash is received or paid. Revenues are separated into those provided by external entities, which share the costs of certain programs, and those revenues provided as general revenues. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

	2011	2010	Change
Statements of activities information:			
Revenues:			
Program revenues:			
Charges for services	$ 131,662	124,496	7,166
Operating grants and contributions	74,355	42,426	31,929
General revenue	1,142,000	1,101,747	40,253
Total revenues	1,348,017	1,268,669	
Program expenses:			
Instruction	798,646	764,564	34,082
Instructional resources and media services	88	790	(702)
Curriculum/instructional staff development	11,320	17,039	(5,719)
School leadership	149,634	159,985	(10,351)
Guidance/counseling and evaluation	3,975	19,889	(15,914)
Student (pupil) transportation	—	610	(610)
Food services	42,849	30,491	12,358
General administration	196,026	155,750	40,276
Plant maintenance and operations	38,655	206,658	(168,003)
Community services	192,003	113,968	78,035
Fundraising	5,478	182	5,296
Total program expenses	1,438,674	1,469,926	
Change in net assets	(90,657)	(201,257)	
Net assets, beginning of year	126,912	328,169	
Net assets, end of year	$ 36,255	126,912	

(Continued)

Fiscal Year 2011 Compared to 2010

The increase in general administration expenses was due to an increase in administrative salaries resulting from the hiring of a school administrator in January 2011. This position was necessary to the organization in order to maintain the business operations and state reporting requirements for the Charter School.

The increase in community services was due to an increase in enrollment in Camp Construct and the establishment of a summer Camp Construct Program during the 2011 school year, as well as the hiring of a business assistant for UHCS. UH Charter School did not provide a summer Camp Construct program during the 2009-10 school year due to facility renovations during the summer of 2010. It was determined in the spring of 2011 that there was a need for a business assistant in the school administrator's office to assist with the business operations of the school. This position was filled in May 2011. The salary for this position was funded through community services.

The increase in food services is attributed to the increased participation in the food service program by the UHCS students. It was a goal of the school to increase participation of students being served by the school breakfast and lunch program. The Charter School had an average of 40 students participate in breakfast and 66 students participate in the lunch program compared to an average of 20 students participating in breakfast and 60 students participating in the lunch program the previous year. The cost of the catered breakfast and lunch meals also increased during the 2010-2011 school year from $1.09 to $1.30 for breakfast and $2.00 to $2.30 for lunch.

The increase in expenses in fund-raising was due to the increase in fund-raising activities and the increase in field trip activities during the 2010-11 school year.

The decrease in curriculum/instructional staff development expenses is due to UH Charter School staff not attending any out of state conferences during the 2010-11 school year as compared the 2009-10 school year when UH Charter School staff members attended a conference in Illinois.

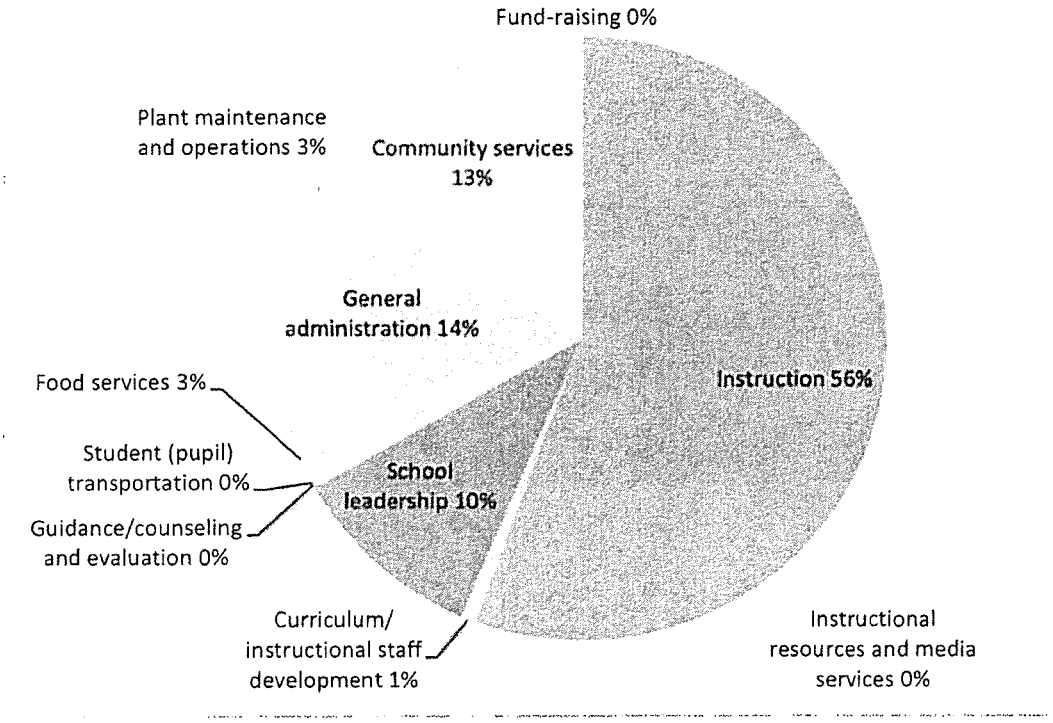
The decrease in plant maintenance and operations expenses was due to the major renovation and painting of the Charter School facilities during FY10. The completion of this renovation significantly reduced expenditures in this area for FY11.

The decrease in guidance/counseling and evaluation expenses is due to UHCS not having the financial responsibility for salaries for counseling and evaluation services provided during FY11 as compared to FY10. UHCS receives counseling and evaluation services through a Special Education Cooperative. The Cooperative is responsible for the salaries of the individuals providing counseling/evaluation services.

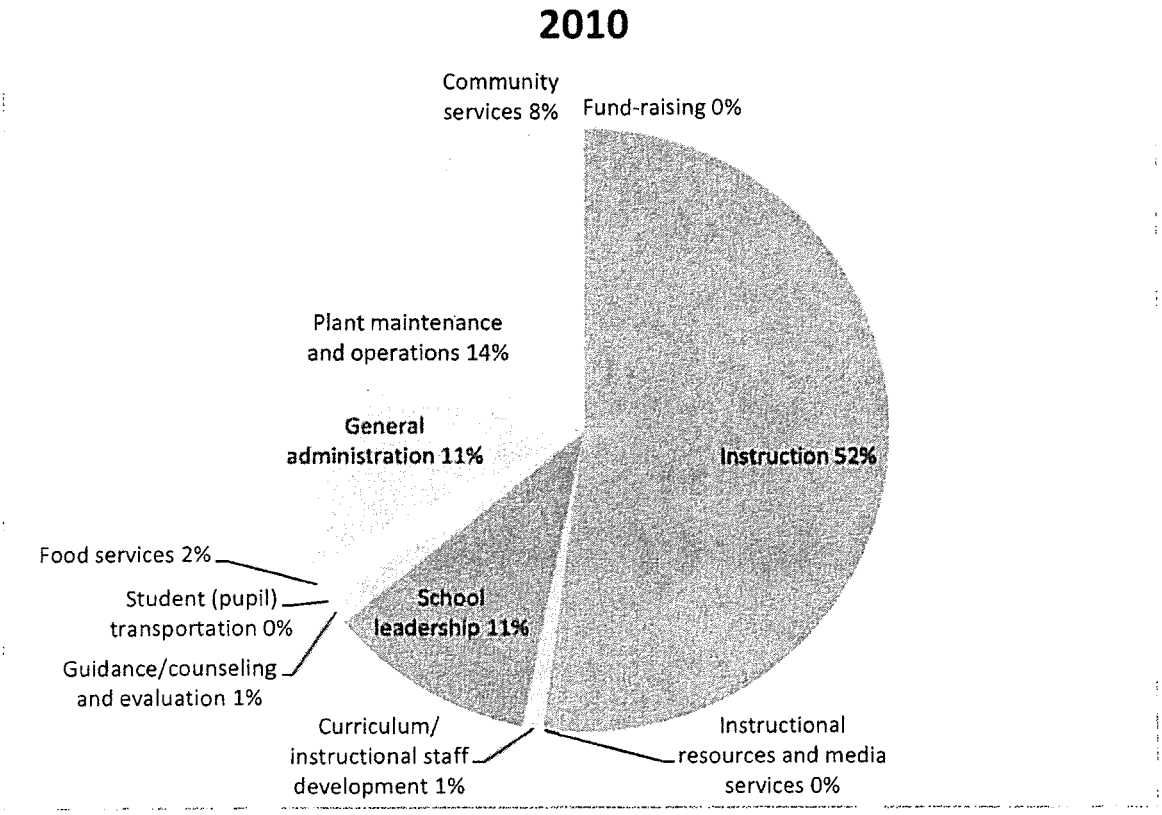
The increase in instruction is attributed to the utilization of previous year balance on the St. Thomas Garden ($4,000) and Math Grants ($6,500). Also, the Academic Support grant ($20,843) was a new award in FY11. The Academic Support grant was used to purchase instructional technology in FY11.

The decrease in expenses in school leadership is attributed to decrease in expenditures from the ACE cost center ($9,385) associated with the leadership expenses during FY11 as compared to FY10.

2011 Expenses



2010 Expenses



The 2011 revenues include sources that are primarily used to provide services to the Charter School's students and are as follows:

		2011	2010	Change
Revenues:				
Program revenues:				
Charges for services	$	131,662	124,496	7,166
Operating grants and contributions		74,355	42,426	31,929
Total program revenues		206,017	166,922	39,095
General revenues		1,142,000	1,101,747	40,253
Total general revenues		1,142,000	1,101,747	40,253
Total revenues	$	1,348,017	1,268,669	79,348

Fiscal Year 2011 Compared to 2010

Program revenue for 2011 increased by $39,095 and is attributed to the increase participation in the food service program by the UHCS students ($8,931), the increase in enrollment in Camp Construct and the establishment of a summer Camp Construct Program during the 2011 school year on ($11,734), and the attainment of the Title XIV, State Fiscal Stabilization Fund federal program ($20,843).

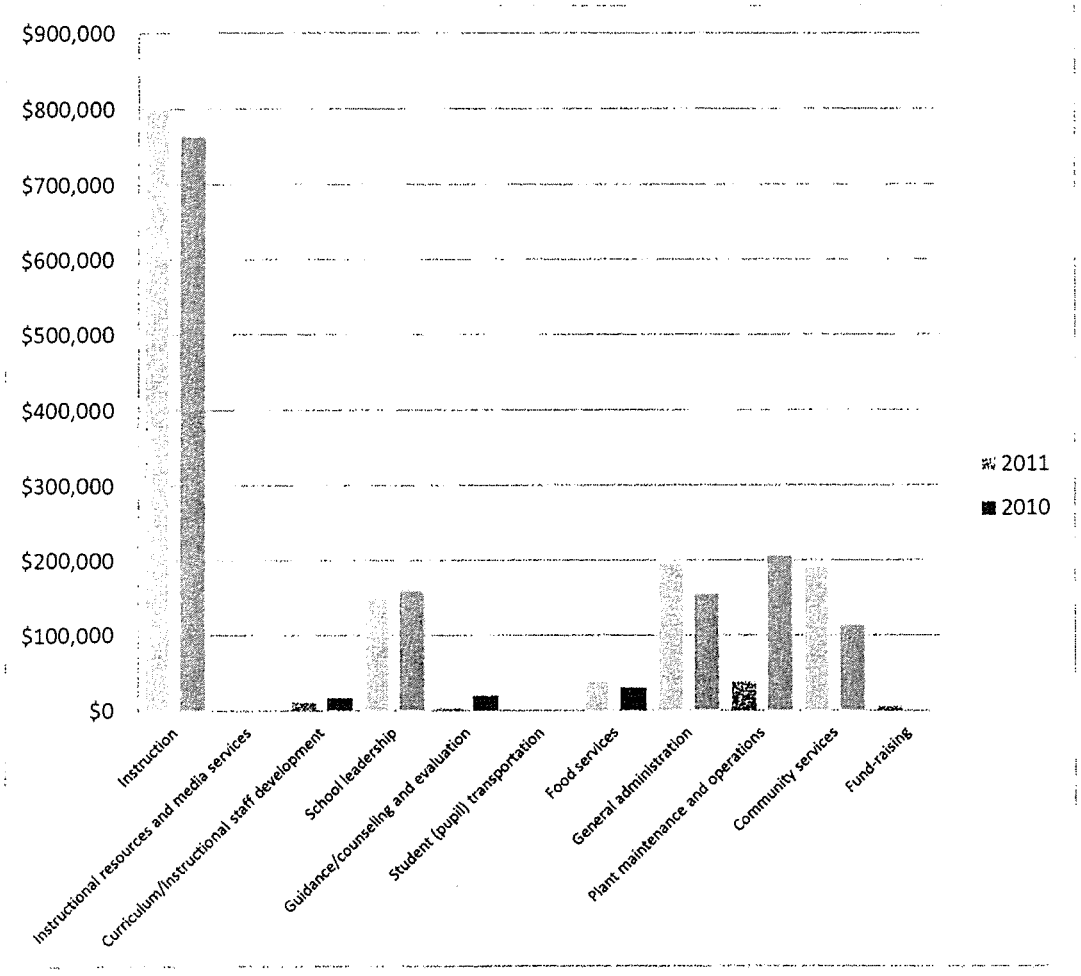
Nonrestricted grants and contributions, mostly comprising state charter school funding, increased by $40,253 or 4% and are primarily the result of an increase in the Foundation State Program by $42,882, offset by the decrease in local sources grants and contributions of $2,377.

Program expenses are the costs necessary to provide services and to fulfill the mission of the Charter School. Program expenses are displayed in the statement using the functional method of classification and are as follows:

	2011	2010	Change
Program expenses:			
Instruction	$ 798,646	764,564	34,082
Instructional resources and media services	88	790	(702)
Curriculum/instructional staff development	11,320	17,039	(5,719)
School leadership	149,634	159,985	(10,351)
Guidance/counseling and evaluation	3,975	19,889	(15,914)
Student (pupil) transportation	—	610	(610)
Food services	42,849	30,491	12,358
General administration	196,026	155,750	40,276
Plant maintenance and operations	38,655	206,658	(168,003)
Community services	192,003	113,968	78,035
Fund-raising	5,478	182	5,296
Total program expenses	$ 1,438,674	1,469,926	

The majority of the Charter School's revenue is expended for instructional purposes, which includes teacher and support personnel salaries.

Operating Expenses 2011 – 2010



Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives or programs. Contracts and state law require the establishment of some funds. Other funds are created by the Charter School's management to control and manage expenditures for particular purposes. The only category of funds used by the Charter School is governmental funds.

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as displaying balances of spendable resources available at the end of the fiscal year. These financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

Because these statements provide a detailed short-term perspective of the Charter School's general operations, they may be useful in evaluating a school's near-term financing requirements. Any differences between the broader long-term focus of the governmentwide financial statements (as reported in the statement of net assets and the statement of activities) and the fund financial statements will be displayed in a reconciliation following the end of the governmental fund financial statements.

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund. The General Fund revenues were $1,019,804 and $976,922 for the years ended August 31, 2011 and 2010, respectively.

The General Fund has a budget that is approved by the University of Houston System Board of Regents. The actual General Fund revenue was less than budgeted by $19,946 and incurred expenses exceeded budget by $2,760.

UH Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs. The UH Allocation was $106,153 for each of the years ended August 31, 2011 and 2010.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payments. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs. The Summer Camp/Camp Construct revenues were $116,169 and $104,435 for the years ended August 31, 2011 and 2010, respectively.

Accounting Systems and Annual Budgets

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year, the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Capital Assets

As of the end of the FY 2011, the Charter School did not possess any reportable capital assets. Such assets would include property, buildings, furniture, and equipment. The University provides building space, a playground area, and parking facilities for use by the Charter School.

Title to capital assets resides with the University, which allocates custody of such assets to the Charter School for its operational needs. Therefore, such assets can be transferred to or from the Charter School at the discretion of

the University. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are recorded at cost and are depreciated over the estimated useful life of the asset. Useful life is established by a uniform classification system maintained by the State of Texas and is measured from the date of acquisition. The Charter School capitalizes assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of any capital assets would be provided from the Charter School's operating revenues.

Noncapital furniture and equipment, including computing equipment, are maintained by the Charter School for its operational needs. Title to these items also resides with the University, which allocates custody to the Charter School. Expenditures for these items are charged to current operating expenses as incurred as they are below the Charter School's capitalization threshold. Funds for the acquisition of such equipment are provided from the Charter School's operating revenues. Additional information regarding the capitalization of assets is in the notes to the financial statements.

Economic Condition and Outlook

Through the use of effective and judicious financial budgeting and management, and the University of Houston's contribution of facilities and other indirect services, the Charter School has been able to satisfy current year expenses with available resources. As previously discussed, the Charter School has no liability obligations other than typical business associated payables, primarily payroll related.

Since the financial operations of the Charter School are considered a governmental organization, the potential for unilateral dissolution by the University of Houston is one of the factors that need to be considered. The two primary financial supporters of the Charter School's operations, the Texas Education Agency and the University of Houston, have demonstrated endorsement of the Charter School's financial and management policies through their continued financial support and commitments in the prior years.

During FY11 the Charter School started pursuing state recognition as a certified child care provider. This certificate can make the Charter School to become eligible for additional funding grant opportunities and Texas Education Agency support. Another measure that the School is considering is the evaluation of its current pricing structure. These two measures will ensure to counteract the increase on the payroll expenses that has occurred during this current year.

Management of neither the Charter School nor the University are aware of any other known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2011 – 2012 fiscal years. Although it is not possible to predict ultimate results, management believes the Charter School's financial condition and position are strong.

Debt Administration

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions. The operating budget for the Charter School is currently structured such that annual financial obligations are satisfied through operating revenues that are received during each current fiscal year.

Contacting the Charter School's Financial Management

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice Chancellor/Vice President for Administration and Finance, University of Houston, Houston, Texas 77204-2016.

BASIC FINANCIAL STATEMENTS

Exhibit A-1

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Net Assets

August 31, 2011

Data control codes		
	Assets:	
1110	Cash	$ 144,435
1240	Due from other governments	263
1290	Other receivables	550
1000	Total assets	145,248
	Liabilities:	
2110	Accounts payable	—
2150	Payroll deductions and withholdings	36,385
2160	Accrued wages payable	42,712
2210	Employees' compensable leave (other accrued expenses)	29,896
2000	Total liabilities	108,993
	Net assets:	
3800	Restricted for various programs:	
	Summer camp construct programs	15,141
	Other nonmajor funds	16,398
3900	Unrestricted	4,716
3000	Total net assets	$ 36,255

See accompanying notes to basic financial statements.

Exhibit B-1

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Activities

Year ended August 31, 2011

Data control codes	Functions/programs	Expenses	Program revenues: Operating grants and contributions	Program revenues: Charges for services	Net revenue (expense) and changes in net assets: Governmental activities
	Governmental activities:				
11	Instruction	$ 798,646	(45,001)	—	753,645
12	Instructional resources and media services	88	—	—	88
13	Curriculum and instructional staff development	11,320	—	—	11,320
23	School leadership	149,634	—	—	149,634
31	Guidance counseling, and evaluation services	3,975	(3,633)	—	342
34	Student (pupil) transportation	—	—	—	—
35	Food services	42,849	(25,721)	(15,493)	1,635
41	General administration	196,026	—	—	196,026
51	Plant maintenance and operation	38,655	—	—	38,655
61	Community services	192,003	—	(116,169)	75,834
81	Fund raising	5,478	—	—	5,478
TG	Total governmental activities	$ 1,438,674	(74,355)	(131,662)	1,232,657
	General revenues:				
GC	Grants and contribution not restricted to specific function				1,142,000
CN	Change in net assets				(90,657)
NB	Net assets, beginning of year				126,912
NE	Net assets, end of year				$ 36,255

See accompanying notes to basic financial statements.

Exhibit C-1

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Balance Sheet – Governmental Funds

Year ended August 31, 2011

Data control codes		Major funds: General fund	Major funds: UH allocation	Major funds: Summer camp/ camp construct	Nonmajor funds	Total governmental funds
	Assets:					
1110	Cash	$ 69,272	28,708	26,227	20,228	144,435
1240	Due from other governments	—	—	—	263	263
1290	Other receivable	—	—	440	110	550
1000	Total assets	$ 69,272	28,708	26,667	20,601	145,248
	Liabilities:					
2110	Accounts payable	$ —	—	—	—	—
2150	Payroll deductions and withholdings	32,117	—	3,218	1,050	36,385
2160	Accrued wages payable	35,671	—	5,823	1,218	42,712
2000	Total liabilities	67,788	—	9,041	2,268	79,097
	Fund balances:					
3450	Restricted for Child Nutrition	—	—	—	5,942	5,942
	Restricted for fund balances:					
3490	Summer camp/camp construct	—	—	17,626	—	17,626
3450/3490	Restricted for various programs	—	—	—	10,456	10,456
3590	Assigned	—	28,708	—	1,935	30,643
3600	Unassigned	1,484	—	—	—	1,484
3000	Total fund balances	1,484	28,708	17,626	18,333	66,151
4000	Total liabilities and fund balance	$ 69,272	28,708	26,667	20,601	
	Employee compensable leave is not due and payable in the current period and, therefore, not reported in the funds					(29,896)
	Net assets of Charter School					$ 36,255
2210	Employees' compensable leave (other accrued expenses)	$ —	27,411	2,485	—	29,896

See accompanying notes to basic financial statements.

Exhibit C-2

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended August 31, 2011

Data control codes		Major funds: General fund	Major funds: UH allocation	Major funds: Summer camp/ camp construct	Nonmajor funds	Total governmental funds
	Revenues:					
5700	Local and intermediate sources	$ —	106,153	116,169	31,536	253,858
5800	State program revenues	1,019,804	—	—	6,850	1,026,654
5900	Federal program revenues	—	—	—	67,505	67,505
5000	Total revenues	1,019,804	106,153	116,169	105,891	1,348,017
	Expenditures:					
	Current:					
0011	Instruction	733,073	40	—	65,147	798,260
0012	Instructional resources and media services	88	—	—	—	88
0013	Curriculum and instructional staff development	7,746	1,445	—	2,119	11,310
0023	School leadership	136,190	7,505	—	7,077	150,772
0031	Guidance, counseling, and evaluation services	520	—	—	3,698	4,218
0035	Food services	—	—	—	42,849	42,849
0041	General administration	162,741	32,956	—	1,176	196,873
0051	Plant maintenance and operation	2,152	36,504	—	—	38,656
0061	Community services	—	—	190,923	—	190,923
0081	Fund raising	—	—	—	5,478	5,478
6000	Total expenditures	1,042,510	78,450	190,923	127,544	1,439,427
	Excess (deficiency) of revenues over (under) expenditures	(22,706)	27,703	(74,754)	(21,653)	(91,410)
	Net change in fund balance	(22,706)	27,703	(74,754)	(21,653)	(91,410)
	Fund balances, beginning of year	24,190	1,005	92,380	39,986	157,561
3000	Fund balances, end of year	$ 1,484	28,708	17,626	18,333	66,151
	Net change in fund balance, per above					$ 91,410
	Compensable absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds					(753)
	Change in net assets, per statement of activities					$ 90,657

See accompanying notes to basic financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

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(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The University of Houston Charter School (the Charter School) is chartered by the State Board of Education and accredited by the Texas Education Agency (TEA). The charter is held by the University of Houston System (the University). The University 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 Charter School is a model constructivist elementary school that implements a curriculum in which children develop cognitively, socially, morally, and physically based on a sustained mental action. The Charter School provides educational curriculum to prekindergarten through the fifth grade. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

The Principal of the Charter School reports to management personnel of the University and the operations of the Charter School are overseen by a committee of the University's Board of Regents.

The Charter School is a department of the University. These financial statements present financial information that is attributable to the Charter School and do not purport to, and do not present fairly, the financial position of the University.

(b) Governmentwide and Fund Financial Statements

Basis of Presentation

The basic financial statements of the Charter 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 TEA'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. The Charter School follows the applicable pronouncements of GASB and pronouncements of Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements as they relate to governmental entities. Accordingly, the Charter School has presented the following sets of financial statements:

Governmentwide Financial Statements

The statement of net assets and the statement of activities include the financial activities of the government as a whole. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between program direct expenses and revenues for each function of the Charter School's governmental activities. Direct expenses are those that are associated with specific programs and/or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Charter School's funds, which are all classified as governmental funds. The fund financial statements are categorized into major and nonmajor funds. Major governmental funds are displayed in separate columns. Nonmajor governmental funds are reported in the aggregate.

The Charter School reports the following major governmental funds:

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the federal or state government, which are required to be accounted for in another fund.

UH Central Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payment. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmentwide Financial Statements

Governmentwide financial statement presentation is based on the economic resources measurement focus and 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 Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue received in cash for which eligibility requirements are not yet satisfied is reported as unearned revenue in the statement of net assets. As of August 31, 2011, the Charter School did not have any unearned revenue.

Governmental Funds' 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues received from federal, state, and local grants 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.

(d) Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

The Charter School maintains all its cash with the University's Treasury (the Treasury). The University maintains accounts with financial institutions.

2. Deposits and Investments

The Charter School's funds are deposited with the Treasury and are not required to be maintained by the Treasury in a separate depository account with financial institutions. The Treasury maintains deposits with financial institutions in the name of the University. The Charter School reconciles the revenues and expenses in a monthly basis. The Charter School does not maintain investments of any kind, which is in compliance with the Charter School's investment policy.

3. Receivables and Payables

The Charter School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided to further disaggregate those balances. All receivables are scheduled for collection within one year from year-end.

4. Capital Assets

Expenditures of $5,000 or more to acquire individual assets are capitalized. Capitalized assets are recorded at cost. Donated capital assets are capitalized and recorded at their fair value when received. Capitalized assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expenses when incurred. The Charter School did not have any capitalized assets as of August 31, 2011. The University provides the Charter School with building facilities, furniture, playground, and parking facilities. Title to these capital assets resides with the University.

5. Compensated Absences

Employees of the Charter School are entitled to paid vacation and sick days depending on length of service. Employees with more than 35 years of service can carry over 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year. Employees with less than 35 years of service can carry forward less than 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year, based on a graduated scale tied to the length of service. Accrued leave in excess of the

normal maximum is converted to sick leave at the conclusion of the fiscal year. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated unused vacation. Unpaid compensable absences of $29,896 as of August 31, 2011 have been recorded in the accompanying financial statements.

6. Long-Term Obligations

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

7. Net Assets/Fund Balances

Unrestricted net assets include resources not restricted to any programs or functions, which are available to support the programs and activities of the Charter School in general. The amount available for this purpose as of August 31, 2011 was $4,716.

Restricted net assets amounted to $31,539 and are restricted to various programs but not specific to functions as of August 31, 2011.

The School implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted – Amounts that are restricted to specific purposes which have been externally imposed by creditors, grantors, contributors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

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

When an expenditure is incurred for which assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of assigned funds, and then unassigned funds, as needed.

8. Data Control Codes

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

9. Income Taxes

The Charter School is a department of the University, which is a local government exempt from income taxes under Section 115(a) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

(e) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures.

(2) Other Information

(a) Risk Management

1. General

Approximately 76% of the Charter School's revenues for fiscal year 2011 were provided by the State of Texas.

2. Healthcare Coverage and Risk Management

The University provides healthcare benefits to all the Charter School's employees who meet the University's employment qualifications and requirements. Contributions are required from the Charter School's employees for coverage of their dependents and for higher level of coverage beyond standard benefits. During the year, the University deducted amounts from the Charter School's cash accounts to cover the Charter School's portion of healthcare coverage, based on an allocation determined by the state, and records a corresponding expense. Healthcare benefits costs attributable to the Charter School for fiscal years 2011, 2010, and 2009 were $100,068, $90,649, and $81,315, respectively.

3. Risk of Loss

The Charter School is exposed to various risks of loss related to torts, injuries to employees, and natural disasters. The University of Houston System carries commercial insurance to cover losses to which the Charter School may be exposed.

(b) Contingent Liabilities

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. In addition, costs charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Charter School funds may be subject to refund if so determined by the TEA or the grantor agencies. In the opinion of the Charter School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the various state and federal program grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

(c) Pension Plan

All employees of the Charter School, 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), a public employee retirement system. It is a cost sharing multiple-employer defined benefit pension plan with the liability for all risks and costs for the State of Texas. All Charter 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% of their salary to the plan and the Charter School contributes an amount equal to 6% times the aggregate annual compensation during the fiscal year. The TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, TRS, which is subject to amendment by the Texas Legislature. The TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling 800-877-0123.

The Charter School's total contribution to the TRS for the years ended August 31, 2011, 2010, and 2009 was $53,544, $49,768, and $48,003, respectively. These contributions represent 100% of the required contribution.

(d) Related-Party Transactions

For the fiscal year ended August 31, 2011, the University provided the Charter School with direct funding in the amount of $106,153 in fiscal year 2011. The amount has been included in the revenues reported in the financial statements for the year.

In addition, the University provided the Charter School with management oversight and other administrative human resources support, office and classroom building facilities, transportation equipment, playground equipment, and certain other services and supplies estimated at $111,416 for fiscal year 2011. The University provided the Charter School with indirect support for operation and maintenance estimated at $66,324.

(e) Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provision, if any, should be disclosed along with actions taken to address such violations. Management of the Charter School believes that it has not violated any finance-related legal and contractual provisions for the fiscal year ended August 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

Schedule G-1

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Budgetary Comparison Schedule – General Fund

Year ended August 31, 2011

Unaudited

Data control codes		Budgeted amounts Original	Budgeted amounts Final	Actual	Variance with final budget positive (negative)
	Revenues:				
5700	Local and intermediate sources	$ —	—	—	—
5800	State program revenues	1,039,750	1,039,750	1,019,804	19,946
5000	Total revenues	1,039,750	1,039,750	1,019,804	19,946
	Expenditures:				
	Current:				
	Instruction and instruction related services:				
0011	Instruction	748,500	748,500	733,073	15,427
0012	Instructional resources and media services	6,182	6,182	88	6,094
0013	Curriculum and instructional staff development	3,092	3,092	7,746	(4,654)
	Total instruction and instruction related services	757,774	757,774	740,907	16,867
	Instructional and school leadership:				
0021	Instructional leadership	—	—	—	—
0023	School leadership	154,882	154,882	136,190	18,692
	Total instruction and school leadership	154,882	154,882	136,190	18,692
	Support services student:				
0031	Guidance, counseling, and evaluation services	2,800	2,800	520	2,280
0034	Student (pupil) transportation	—	—	—	—
0035	Food services	—	—	—	—
	Total guidance and counseling	2,800	2,800	520	2,280
	Administrative support services:				
0041	General administration	122,594	122,594	162,741	(40,147)
	Total administrative support services	122,594	122,594	162,741	(40,147)
	Support services nonstudent based:				
0051	Plant maintenance and operations	1,700	1,700	2,152	(452)
	Total plant maintenance	1,700	1,700	2,152	(452)
	Other support:				
0061	Community services	—	—	—	—
0081	Fund raising	—	—	—	—
		—	—	—	—
6000	Total expenditures	1,039,750	1,039,750	1,042,510	(2,760)
	Excess (deficiency) of revenues over (under) expenditures	—	—	(22,706)	22,706
	Net change in fund balance	—	—	(22,706)	22,706
	Fund balances, beginning of year	24,190	24,190	24,190	—
3000	Fund balances, end of year	$ 24,190	24,190	1,484	22,706

See accompanying note to required supplementary information.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Note to Required Supplementary Information

Year ended August 31, 2011

Unaudited

Budgetary Information

Annually, a General Fund budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the Texas Education Agency and a final budget must be prepared and adopted no later than January of the following year.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Child Nutrition

Budgetary Comparison Schedule

Year ended August 31, 2011

Unaudited

Data control codes		Budgeted amounts Original	Budgeted amounts Final	Actual	Variance with final budget positive (negative)
	Revenues:				
5700	Local and intermediate sources	$ 8,251	8,251	15,493	(7,242)
5800	State program revenues	1,405	1,405	258	1,147
5900	Federal program revenues	13,826	13,826	25,464	(11,638)
5000	Total revenues	23,482	23,482	41,215	(17,733)
	Expenditures:				
	Current:				
0035	Food services	22,300	22,300	42,849	(20,549)
		22,300	22,300	42,849	(20,549)
	Other support:				
0099	Other intergovernmental charges	—	—	—	—
		—	—	—	—
6000	Total expenditures	22,300	22,300	42,849	(20,549)
	Excess (deficiency) of revenues over (under) expenditures	1,182	1,182	(1,634)	2,816
	Net change in fund balance	1,182	1,182	(1,634)	2,816
	Fund balances, beginning of year	7,576	7,576	7,576	—
3000	Fund balances, end of year	$ 8,758	8,758	5,942	2,816

See accompanying note to other supplementary information.

Schedule J-2

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule of Expenses

Year ended August 31, 2011

Data control codes		
	Expenses:	
6100	Payroll costs	$ 1,126,074
6200	Professional and contractual services	68,818
6300	Supplies and materials	189,847
6400	Other operating costs	53,935
	Total expenses	$ 1,438,674

See accompanying note to other supplementary information.

OTHER SUPPLEMENTARY INFORMATION

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Note to Other Supplementary Information

Year ended August 31, 2011

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

STATISTICAL SECTION

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statistical Section

Unaudited

The statistical section of the University of Houston Charter School's (the Charter School) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Charter School's overall financial health.

Contents

Financial Trends

These schedules contain information to help the reader understand how the Charter School's financial performance has changed over time.

02/15/12
CONSENT DOCKET – AUDIT-T197

FINANCIAL TRENDS

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

General Revenues and Total Changes in Net Assets

Unaudited

	2011	2010	Change
Grants and contributions:			
Charges for services	$ 131,662	124,496	7,166
Operating grants and contributions	74,355	42,426	31,929
General revenue	1,142,000	1,101,747	40,253
Total grants and contributions	1,348,017	1,268,669	79,348
Operating expenses:			
Instruction	798,646	764,564	34,082
Instructional resources and media services	88	790	(702)
Curriculum/instructional staff development	11,320	17,039	(5,719)
School leadership	149,634	159,985	(10,351)
Guidance/counseling and evaluation	3,975	19,889	(15,914)
Student (pupil) transportation	—	610	(610)
Food services	42,849	30,491	12,358
General administration	196,026	155,750	40,276
Plant maintenance and operations	38,655	206,658	(168,003)
Community services	192,003	113,968	78,035
Fund raising	5,478	182	5,296
Total operating expenses	1,438,674	1,469,926	(31,252)
Change in net assets	(90,657)	(201,257)	110,600
Net assets, beginning of year	126,912	328,169	(201,257)
Net assets, end of year	$ 36,255	126,912	(90,657)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Fund Balances

Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

Unaudited

	Fiscal year 2011	2010
Fund balances:		
Restricted for various programs	$ 34,024	129,452
Assigned	30,643	3,919
Unassigned	1,484	24,190
Total fund balances	$ 66,151	157,561

Governmental Funds Revenues

Last Two Fiscal Years

	Fiscal year 2011	2010
Local sources:		
UH allocation, Summer Camp and ACE Charity	$ 238,364	229,261
Miscellaneous local sources	15,494	20,061
Total local sources	253,858	249,322
State sources:		
State program revenues	1,026,654	982,102
Total state sources	1,026,654	982,102
Federal sources:		
Federal program revenues	67,505	37,245
Total federal sources	67,505	37,245
Total revenues	$ 1,348,017	1,268,669

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Expenditures

Last Two Fiscal Years

Unaudited

	Fiscal year	
	2011	2010
Instruction	$ 798,260	761,739
Instructional resources and media services	88	790
Curriculum/instructional staff development	11,310	17,128
School leadership	150,772	159,985
Guidance/counseling and evaluation	4,218	20,187
Student (pupil) transportation	—	610
Food services	42,849	30,621
General administration	196,873	155,750
Plant maintenance and operations	38,656	206,658
Community services	190,923	114,054
Fund raising	5,478	182
Total expenditures	$ 1,439,427	1,467,704

Indirect Support

Fiscal year ended August 31, 2011

UH – Space occupied	6,100,056.00	Sq.ft
Charter School – Space occupied	11,369.00	Sq.ft
Percentage Charter School for operation and maintenance of plant	0.001864	
UH operation and maintenance expenses	$ 35,586,377	
Amount of indirect support for operation and maintenance	66,324	
UH operating expenses	737,249,233	
Charter School operating expenses	1,438,674	
Percentage Charter School for institutional support	0.0019514	
UH institutional support	$ 57,095,308	
Amount of indirect support for institutional support	111,416	