

*ANNUAL FINANCIAL REPORT*

of the

**UNIVERSITY OF HOUSTON**

**CHARTER SCHOOL**

(a department of the University of Houston,

an agency of the State of Texas)

**For the Year Ended**

**August 31, 2019**

(This page intentionally left blank.)

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Table of Contents

	<u>Page</u>	<u>Exhibit</u>
<b><u>INTRODUCTORY SECTION</u></b>		
Certificate of Board	1	
University of Houston System Board of Regents and Management Board of the University of Houston Charter School	2	
University of Houston Charter School Administrative Organization	3	
<b><u>FINANCIAL SECTION</u></b>		
Independent Auditors' Report	7	
Management's Discussion and Analysis (MD&A) (Required Supplementary Information)	11	
<b><u>BASIC FINANCIAL STATEMENTS</u></b>		
<b>Government-Wide Financial Statements</b>		
Statement of Net Position	19	A-1
Statement of Activities	21	B-1
<b>Fund Financial Statements</b>		
Balance Sheet – Governmental Funds	23	C-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24	C-2
<b>Notes to Financial Statements</b>	25	
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	35	G-1
<b><u>SUPPLEMENTARY INFORMATION</u></b>		
Schedule of Expenses	39	J-2
<b><u>COMPLIANCE SECTION</u></b>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43	
Schedule of Findings and Questioned Costs	45	K-1
Summary Schedule of Prior Year Audit Findings	47	
Schedule of Required Responses to Selected School First Indicators	49	L-1

(This page intentionally left blank.)

## **INTRODUCTORY SECTION**

(This page intentionally left blank.)

**CERTIFICATE OF BOARD**

University of Houston System  
(Federal Employer Identification Number: 74-6001399)  
Charter Holder for  
University of Houston Charter School  
(County – District Number: 101-807)

We, the undersigned, certify that the attached Annual Financial Report and Compliance Report of the University of Houston Charter School were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019 at a meeting of the Management Board of the University of Houston Charter School, which has authority to review, monitor, and approve budgets and audited financial statements as granted by the University of Houston System Board of Regents, on the 21<sup>st</sup> day of January, 2020.



Signature of Board Secretary



Signature of Board President

Note: If the governing body of the Charter School does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

## **University of Houston Charter School 2018-2019**

University of Houston System Board of Regents and  
Management Board of the University of Houston Charter School

### Officers 2018-2019

- Tilman J. Fertitta, Chairman, UH System Board of Regents
- Peter K. Taaffe, Vice Chairman, UH System Board of Regents
- Paula M. Mendoza, Secretary, UH System Board of Regents

### Member(s) with terms set to expire August 31, 2019

- Durga D. Agrawal
- Paula M. Mendoza
- Peter K. Faaffe
- Doug H. Brooks

### Member(s) with terms set to expire May 31, 2020

- John D. Fields

### Member(s) with terms set to expire August 31, 2021

- Tilman J. Fertitta
- Beth Madison
- Gerald W. McElvy
- Jack B. Moore

### Member(s) with terms set to expire August 31, 2023

- Stephen I. Chazen

### **Management Board of the University of Houston Charter School**

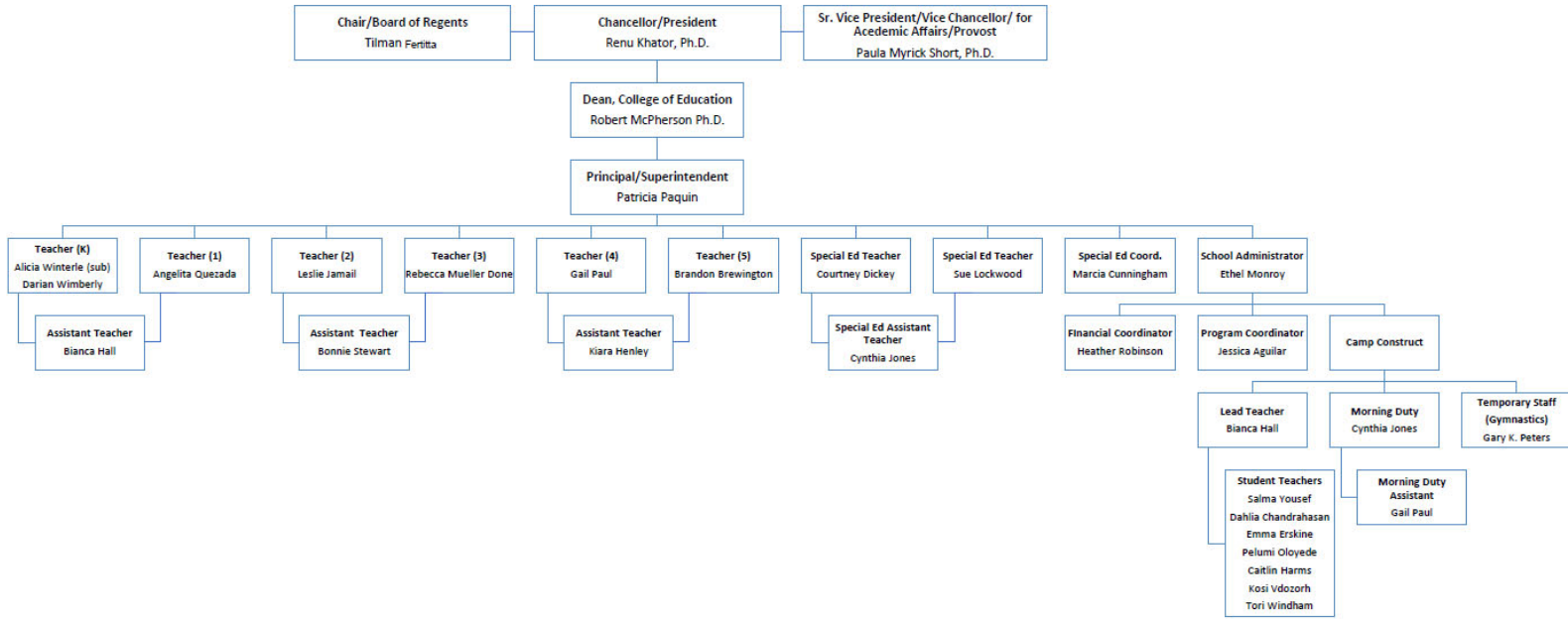
- Robert H. McPherson, Ph.D., Chair, Dean, UH College of Education
- Jonathan Schwartz, Ph.D., Secretary, UH College of Education
- Rebecca Sanford, Ph.D., Principal, Hambrick Middle School, Community Representative
- Leslie Jamail, Teacher Representative, UH Charter School
- Alexander Hernandez, Member, UH Charter School



# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## Administrative Organization

### 2018-2019 University of Houston Charter School Organizational Chart



(This page intentionally left blank.)

***FINANCIAL SECTION***

(This page intentionally left blank.)



## ***INDEPENDENT AUDITORS' REPORT***

To the Management Board of the  
University of Houston Charter School:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The University of Houston Charter School (the "School") (a department of the University of Houston, which is an agency of the State of Texas) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 the School as of August 31, 2019, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

While the results of our audit are not modified with respect to this matter, the financial statements of the School are intended to present the financial position and the changes in financial position of the University of Houston (the “University”), the University of Houston System (the “UH System”) and the State of Texas (the “State”) that are attributable to the transactions of the School, as discussed in Note 1. Transactions associated with facilities, bonds, pensions, and other postemployment benefits related to the School’s activities in the name of the University and/or the UH System are reported by the University and/or the UH System and not the School. The financial statements do not purport to, and do not, present fairly the financial position of the University, the UH System, or the State as of August 31, 2019, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and budgetary comparison information, identified as Supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School’s basic financial statements. The introductory section, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 17, 2019

(This page intentionally left blank.)



# **UNIVERSITY OF HOUSTON CHARTER SCHOOL**

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

**For the Year Ended August 31, 2019**

### **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, 2019 and 2018. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. It should be read in conjunction with the Charter School's financial statements.

### **Overview of the Financial Statements**

The Charter School herewith presents its basic financial statements for fiscal year 2019. 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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements presented are the statement of net position and the statement of activities. The fund financial statements presented are the balance sheet and the statements of revenues, expenditures, and changes in fund balances. 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 government-wide 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.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

**For the Year Ended August 31, 2019**

### *Statement of Net Position*

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

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Assets:</b>			
Cash	\$ 399,200	\$ 274,678	\$ 124,522
Due from other governments	6,851	12,399	(5,548)
Other receivables	142	589	(447)
Total assets	\$ 406,193	\$ 287,666	\$ 118,527
<b>Liabilities:</b>			
Accounts payable	\$ 60,355	\$ 1,046	\$ 59,309
Payroll deductions and withholdings	27,636	30,922	(3,286)
Accrued wages payable	49,797	44,287	5,510
Total liabilities	137,788	76,255	61,533
<b>Restricted for various programs:</b>			
Summer and camp construct programs	19,017	12,949	6,068
Other nonmajor funds	10,555	28,686	(18,131)
Unrestricted	238,833	169,776	69,057
Total net position	268,405	211,411	56,994
Total liabilities and net position	\$ 406,193	\$ 287,666	\$ 118,527

Cash represents 98 % of the current assets held by the Charter School. Current assets increased by \$118,527 or 41% and current liabilities increased by \$61,533 or 81%.

The ending net position for restricted state and federal programs decreased by \$12,063. Unrestricted net position increased by \$69,057.

### *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.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

**For the Year Ended August 31, 2019**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Revenues:</b>			
Charges for services	\$ 116,593	\$ 107,197	\$ 9,396
Operating grants and contributions	88,241	76,303	11,938
Grants and general	1,341,953	1,267,159	74,794
	1,546,787	1,450,659	96,128
<b>Expenses</b>			
<b>Current:</b>			
Instruction	868,808	754,488	114,320
Curriculum and staff development	-	500	(500)
School leadership	240,214	237,466	2,748
Guidance, counseling, and evaluation services	9,895	2,708	7,187
Food services	78,708	66,990	11,718
General administration	193,218	126,174	67,044
Plant maintenance and operations	8,779	565	8,214
Community services	90,171	96,023	(5,852)
Fundraising	-	1,236	(1,236)
Total expenses	1,489,793	1,286,150	203,643
Excess (deficiency) of revenues over (under) expenses	\$ 56,994	\$ 164,509	\$ (107,515)

In fiscal year 2019, charges for services increased by \$9,396 due to an increase in revenue for the breakfast and lunch local fund and Camp Construct revenue when compared to fiscal year 2018.

Operating grants and contributions revenue for fiscal year 2019 increased by \$11,938. This increase can be attributed to the change in revenue across several state and federal grant programs. There was an increase in Foundation School Program, Title I and Title II funds received in fiscal year 2019 as compared to fiscal year 2018.

In 2019, the general revenues of \$1,341,953 included \$1,202,034 in state program revenues as compared to 2018 where general revenues were \$1,267,159. This reflects an increase in revenue of \$74,794 from 2018 to 2019.

The increase in expenses in instruction is primarily related to staffing in fiscal year 2019 when compared to staffing in fiscal year 2018.

The increase in general administration is related to general operating expenses.

The decrease in expenses in community services can be attributed to a decrease in students participating in the after-school program, as well as a decrease in staff members employed in the after-school program in fiscal year 2019 as compared to fiscal year 2018.

The increase in expenses in food services can be attributed to the increase in student participation in the food services program in fiscal year 2019 as compared to fiscal year 2018. An increase in participation directly impacts the cost of the food services program.

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

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

For the Year Ended August 31, 2019

### **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 government-wide financial statements (as reported in the statement of net position 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 Foundation School Program revenues were \$1,190,249 and \$1,106,157 for the years ended August 31, 2019 and 2018, respectively.

**UH Allocation** – The source of this revenue is an allocation from the University of Houston System (the "University 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 University System Allocation was \$106,153 and \$108,000 for the years ended August 31, 2019 and 2018, respectively.

**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 \$96,307 and \$91,078 for the years ended August 31, 2019 and 2018, respectively. Although this fund did not meet the technical requirements to be a major fund, because of its significance, management has elected to present it as such.

### **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.

The general fund has a budget that is approved by the Management Board. The actual general fund revenue was less than budgeted by \$123,095 and actual expenditures were less than budgeted by \$277,515.

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

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

For the Year Ended August 31, 2019

### **Capital Assets**

As of the end of the fiscal year 2019, 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.

Noncapital furniture and equipment, including computing equipment, is 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.

### **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.

### **Economic Condition and Outlook**

Through the use of effective and judicious financial budgeting and management, and the University'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 is one of the factors that needs to be considered. The two primary financial supporters of the Charter School's operations, the Texas Education Agency and the University, have demonstrated endorsement of the Charter School's financial and management policies through their continued financial support and commitments in the prior years.

Management of neither the Charter School nor the University is 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 2019-2020 fiscal year. Although it is not possible to predict ultimate results, management believes the Charter School's financial condition and position are strong.

### **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 Charter School Principal, Patricia Paquin, University of Houston, Houston, Texas 77204-2016.

(This page intentionally left blank.)

## **BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank.)



**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

<b>Data control codes</b>		<b>1 Governmental Activities</b>
	Assets:	
1110	Cash	\$ 399,200
1240	Due from other governments	6,851
1290	Other receivables	142
1000	Total assets	406,193
	Liabilities:	
	Current liabilities:	
2110	Accounts payable	\$ 60,355
2150	Payroll deductions and withholdings	27,636
2160	Accrued wages payable	49,797
	Total current liabilities	137,788
	Net position:	
3800	Restricted for various programs:	
3890	Summer and camp construct programs	19,017
3820	Other nonmajor funds	10,555
3900	Unrestricted	238,833
	Total net position	\$ 268,405

See accompanying notes to financial statements.

(This page intentionally left blank.)

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2019**

Data control codes	Functions/programs	1 Expenses	Program revenues		Net revenue (expense) and changes in net position
			3 Charges for services	4 Operating grants and contributions	
	Governmental activities:				
11	Instruction	\$ 868,808	\$ -	\$ 40,514	\$ (828,294)
23	School leadership	240,214	-	-	(240,214)
31	Guidance/counseling, and evaluation services	9,895	-	3,921	(5,974)
35	Food services	78,708	21,010	43,806	(13,892)
41	General administration	193,218	-	-	(193,218)
51	Plant maintenance and operations	8,779	-	-	(8,779)
61	Community services	90,171	95,583	-	5,412
TG	Total governmental activities	<u>\$ 1,489,793</u>	<u>\$ 116,593</u>	<u>\$ 88,241</u>	<u>(1,284,959)</u>
	General revenues:				
GC	Grants and contribution not restricted to specific function				<u>1,341,953</u>
CN	Change in net position				56,994
NB	Net position, beginning of year				211,411
NE	Net position, end of year				<u>\$ 268,405</u>

See accompanying notes to financial statements.

(This page intentionally left blank.)

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AUGUST 31, 2019**

<b>Data control codes</b>	<b>10</b>	<b>40</b>	<b>40</b>	<b>98</b>	<b>98</b>
	<b>General</b>	<b>UH allocation</b>	<b>Summer camp/camp construct</b>	<b>Nonmajor funds</b>	<b>Total governmental funds</b>
<b>Assets:</b>					
1110	\$ 278,351	\$ 74,915	\$ 19,490	\$ 26,444	\$ 399,200
1240	6,851	-	-	-	6,851
1262	10,277	-	-	-	10,277
1290	-	142	-	-	142
1000	<u>\$ 295,479</u>	<u>\$ 75,057</u>	<u>\$ 19,490</u>	<u>\$ 26,444</u>	<u>\$ 416,470</u>
<b>Liabilities:</b>					
2110	\$ 2,605	52,138	-	5,612	\$ 60,355
2150	27,511	-	125	-	27,636
2160	49,449	-	348	-	49,797
2170	-	-	-	10,277	10,277
2000	<u>79,565</u>	<u>52,138</u>	<u>473</u>	<u>15,889</u>	<u>148,065</u>
<b>Fund balances:</b>					
3490	-	-	19,017	-	19,017
3490	-	-	-	10,555	10,555
3590	-	22,919	-	-	22,919
3600	215,914	-	-	-	215,914
3000	<u>215,914</u>	<u>22,919</u>	<u>19,017</u>	<u>10,555</u>	<u>268,405</u>
4000	<u>\$ 295,479</u>	<u>\$ 75,057</u>	<u>\$ 19,490</u>	<u>\$ 26,444</u>	<u>\$ 416,470</u>
					<u>\$ 268,405</u>

See accompanying notes to basic financial statements.

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2019**

<u>Data control codes</u>	<u>10</u>	<u>40</u>	<u>40</u>	<u>98</u>	<u>98</u>	
	<u>General</u>	<u>UH allocation</u>	<u>Summer camp/camp construct</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>	
Revenues:						
5700	\$ -	\$ 106,153	\$ 96,307	\$ 46,137	\$ 248,597	
5800	1,190,249	-	-	11,785	1,202,034	
5900	-	-	-	96,156	96,156	
5000	<u>1,190,249</u>	<u>106,153</u>	<u>96,307</u>	<u>154,078</u>	<u>1,546,787</u>	
Expenditures:						
Current:						
0011	775,943	2,910	-	89,955	868,808	
0023	240,214	-	-	-	240,214	
0031	4,549	2,000	-	3,346	9,895	
0035	-	934	-	77,774	78,708	
0041	65,123	126,893	68	1,134	193,218	
0051	-	8,779	-	-	8,779	
0061	-	-	90,171	-	90,171	
6000	<u>1,085,829</u>	<u>141,516</u>	<u>90,239</u>	<u>172,209</u>	<u>1,489,793</u>	
	Excess (deficiency) of revenues over (under) expenditures	104,420	(35,363)	6,068	(18,131)	56,994
	Fund balances, beginning of year	111,494	58,282	12,949	28,686	211,411
3000	<u>\$ 215,914</u>	<u>\$ 22,919</u>	<u>\$ 19,017</u>	<u>\$ 10,555</u>	<u>\$ 268,405</u>	
	Net change in fund balance, per above					\$ 56,994
	Adjustment					-
	Change in net position, per statement of activities					<u>\$ 56,994</u>

See accompanying notes to basic financial statements.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2019

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

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

The University of Houston (the "University") and University of Houston System (the "UH System") and the University of Houston Charter School (the "Charter School") have elected to define the Charter School's reporting entity to include only activities in the Charter School's name. The Charter School's proportional share of liabilities in the name of the University and/or the UH System are reported by University and/or UH System. Accordingly, transactions associated with facilities, bonds, pensions, and other postemployment benefits related to the Charter School's activities in the name of the University and/or the UH System are not reported by the Charter School. However, the Charter School has elected to make limited disclosures with respect to these matters in notes 5 and 6. The associated financial activities related to these items and required disclosures are made within the University, the UH System, and the State of Texas Annual Financial Report.

The Charter School strives to partner with independent school districts in the greater Houston area to assist in overpopulation of the current school districts and provide an alternative education to families. The Charter School's vision is to provide the highest quality instruction in a safe and motivating learning environment for all students, using a variety of instructional strategies that are research-based best practices in the field to ensure that each student is academically successful in reaching all of his/her learning goals.

The Principal of the Charter School reports to management personnel of the University, and the operations of the Charter School are overseen by the Management Board (the "Board"), which provides general oversight to the Charter School. This oversight includes approval of budgets and financial audits, broad education policies and handbooks, and personnel matters.

The Board consists of five members, all of whom are appointed by the Dean of the University's College of Education. Two of the Board members are employees of the University and one is an employee of the Charter School. The other two members are parent and community representatives. These positions were established through the Charter School's bylaws, as approved on January 26, 2015.

The University is accredited with the Southern Association of Colleges and Schools. The Charter School is chartered by the State Board of Education and accredited by the TEA. 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 kindergarten through the fifth grade. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

### (b) *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Charter School. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Charter School has no business-type activities.

### (c) *Basis of Presentation – Government-Wide Financial Statements*

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

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

### (d) *Basis of Presentation – Fund Financial Statements*

The fund financial statements provide information about the Charter School's funds. Separate statements for governmental funds are presented. 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 Charter School reports the following governmental funds:

#### **General Fund**

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

#### **Special Revenue Funds**

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund.

The University Allocation fund is considered a major fund for reporting purposes. The source of this revenue is an allocation from the University administration general fund to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs.

Management has elected to report the Summer Camp/Camp Construct program fund as a major fund and is considered a major fund for reporting purposes. The source of revenue is from tuition payments.



# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

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

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

### (e) *Measurement Focus and Basis of Accounting*

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

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

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

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

### (f) *Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances*

#### 1. **Cash and Cash Equivalents**

The Charter School's funds are held by the University in the University's depository bank. On a monthly basis, the University provides the Charter School with a statement of accounts showing all fund activities for the month and ending month balances which is then reconciled

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2019

to the accounts of the Charter School. Such deposits are insured and collateralized along with other University funds with the University's collateralization agreements with its depository bank.

### **2. Investments**

The Charter School does not maintain investments of any kind.

### **3. Receivables and Payables**

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

### **4. Capital Assets**

The Charter School did not have any capitalized assets as of August 31, 2019. The University provides the Charter School with building facilities, furniture, playground, and parking facilities. Title to these capital assets resides with the University.

### **6. Compensated Absences**

Certain employees of the Charter School are entitled to paid vacation and sick days depending on position. Employees may carry over earned but unused vacation time up to a designated amount at the end of each calendar year to the following calendar year.

### **7. 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.

### **8. Net Position Flow Assumptions**

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

### **9. Fund Balance Flow Assumptions**

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

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2019

### **10. Fund Balance Policies**

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School's highest level of decision-making authority. The Board is the highest level of decision-making authority for the Charter School that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Charter School did not have any commitments at year end.

Amounts in the assigned fund balance classification are intended to be used by the Charter School for specific purposes but do not meet the criteria to be classified as committed. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **11. Estimates**

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

### **12. Data Control Codes**

The data control codes refer to the account code structure prescribed by the TEA in the Resource Guide. The TEA requires schools to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

### **13. Income Taxes**

The Charter School is a department of the University, which is a local government exempt from income taxes under Section 115(1) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

### (g) Revenues and Expenditures/Expenses

#### 1. Program Revenues

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

#### 2. Expenditures

Expenditures are reported using the data control codes following the TEA requirements to ensure accuracy in building a statewide database for policy development and funding plans.

### (2) Stewardship, Compliance, and Accountability

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

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

### (3) Risk Management

#### (a) Healthcare Coverage and Risk Management

The University provides healthcare benefits to all of 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 2019, 2018, and 2017 were \$107,040, \$130,941, and, \$112,347, respectively.

#### (b) Risk of Loss

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Charter School purchases commercial insurance. The Charter School's operations have been incidental to the University's insurance coverage or settlements for the past three years.

#### 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, the 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

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

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.

#### (4) Defined Benefit Pension Plan

##### Teacher Retirement System

###### Plan Description

The University participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

###### Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Additional information regarding the University's proportional share of the obligation may be obtained for the University of Houston at [https://uh.edu/finance/pages/AFR\\_HOU.htm](https://uh.edu/finance/pages/AFR_HOU.htm).

#### (5) Postemployment Health Care and Life Insurance Benefits

##### Employees Retirement System

###### Plan Description

The UH System participates in a cost-sharing, multiple-employer, other postemployment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life, and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

# UNIVERSITY OF HOUSTON CHARTER SCHOOL

## *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended August 31, 2019

### OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the GBP plan has been determined using the same basis used by the OPEB plan.

Additional information regarding the UH System's proportional share of the obligation may be obtain for the University of Houston at [https://uh.edu/finance/pages/AFR\\_HOU.htm](https://uh.edu/finance/pages/AFR_HOU.htm).

***REQUIRED SUPPLEMENTARY INFORMATION***

*Unaudited*

(This page intentionally left blank.)



**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**AUGUST 31, 2019**  
 UNAUDITED

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Final		
	Revenues:				
5800	State program revenues	\$ 1,068,871	\$ 1,313,344	\$ 1,190,249	(123,095)
5000	Total revenues	<u>1,068,871</u>	<u>1,313,344</u>	<u>1,190,249</u>	<u>(123,095)</u>
	Expenditures:				
	Current:				
	Instruction and instruction related services:				
0011	Instruction	745,734	915,207	775,943	139,264
0013	Curriculum and instructional staff development	500	500	-	500
	Total instruction and instruction related services	<u>746,234</u>	<u>915,707</u>	<u>775,943</u>	<u>139,764</u>
	Instructional and school leadership:				
0023	School leadership	200,000	275,000	240,214	34,786
	Total instruction and school leadership	<u>200,000</u>	<u>275,000</u>	<u>240,214</u>	<u>34,786</u>
	Support services student:				
0031	Guidance, counseling, and evaluation services	20,000	50,000	4,549	45,451
	Total support services student	<u>20,000</u>	<u>50,000</u>	<u>4,549</u>	<u>45,451</u>
	Administrative support services:				
0041	General administration	122,637	122,637	65,123	57,514
	Total administrative support services	<u>122,637</u>	<u>122,637</u>	<u>65,123</u>	<u>57,514</u>
6000	Total expenditures	<u>1,088,871</u>	<u>1,363,344</u>	<u>1,085,829</u>	<u>277,515</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(50,000)</u>	<u>104,420</u>	<u>154,420</u>
	Net change in fund balance	<u>(20,000)</u>	<u>(50,000)</u>	<u>104,420</u>	<u>154,420</u>
	Fund balance, beginning of year	<u>111,494</u>	<u>111,494</u>	<u>111,494</u>	
3000	Fund balance, end of year	<u>\$ 91,494</u>	<u>\$ 61,494</u>	<u>\$ 215,914</u>	<u>\$ 154,420</u>

(This page intentionally left blank.)

***SUPPLEMENTARY  
INFORMATION***

(This page intentionally left blank.)

**SCHEDULE J-2**

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**

***SCHEDULE OF EXPENSES***

**YEAR ENDED AUGUST 31, 2019**

<u>Data control codes</u>			
	Expenses:		
6100	Payroll costs	\$	1,111,104
6200	Professional and contractual services		64,420
6300	Supplies and materials		204,819
6400	Other operating costs		109,450
	Total expenses	\$	<u>1,489,793</u>

(This page intentionally left blank.)

***COMPLIANCE SECTION***

(This page intentionally left blank.)





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 17, 2019

To the Management Board of the  
University of Houston Charter School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (the "School") (a department of the University of Houston, which is an agency of the State of Texas) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 17, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 17, 2019

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***  
**YEAR ENDED AUGUST 31, 2019**

**I. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of audit report issued Unmodified

Internal control over financial reporting:

    One or more material weakness(es) identified? No

    One or more significant deficiency(ies) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

**II. FINDINGS - BASIC FINANCIAL STATEMENT AUDIT**

*None identified.*

**III. FINDINGS - FEDERAL AWARDS**

*None identified.*

(This page intentionally left blank.)

**UNIVERSITY OF HOUSTON CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
Year Ended August 31, 2019

**A. Summary of Prior Year Audit Findings**

*No prior year findings.*

(This page intentionally left blank.)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule of Required Responses to

Selected School First Indicators

August 31, 2019

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

(This page intentionally left blank.)