

ANNUAL FINANCIAL REPORT

of the

**UT TYLER
UNIVERSITY ACADEMY**

(a department of the University of Texas at Tyler,
which is an agency of the State of Texas)

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

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UT TYLER UNIVERSITY ACADEMY

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UT TYLER UNIVERSITY ACADEMY

CERTIFICATE OF BOARD

UT Tyler University Academy
Name of School

Smith

212-804
County

School Number

We, the undersigned, certify that the attached annual financial reports of the above named School were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2019 at a meeting of the School Board on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the School Board of
UT Tyler University Academy:

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 UT Tyler University Academy (the "School") (a department of the University of Texas at Tyler, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of August 31, 2019, and the respective 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 Texas at Tyler (UTT), University of Texas System (“UT System”), and the State of Texas (the “State”) that are attributable to the transactions of the School, as discussed in Note I. Transactions associated with facilities, bonds, pensions, and other postemployment benefits related to the School’s activities in the name of UTT and/or UT System are reported by UTT and/or UT System, and not the School. The financial statements do not purport to, and do not, present fairly the financial position of UTT, UT System, or the State as of August 31, 2019, or the changes in their financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020 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
January 13, 2020

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

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UT TYLER
UNIVERSITY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

This discussion and analysis of UT Tyler University Academy's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended August 31, 2019. It should be read in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

- The School's total net position at August 31, 2019 was \$1,111,884.
- For the fiscal year ended August 31, 2019, the School's general fund reported a total fund balance of \$889,945, all of which is unassigned.
- At the end of the fiscal year, the School's governmental funds (the general fund plus all state and federal grant funds) reported combined ending fund balances of \$1,016,989.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the School.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *instructional* services were financed in the *short-term*, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's assets, and liabilities and is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

UT TYLER
UNIVERSITY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

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

The government-wide financial statements of the School include the governmental activities. The School's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant maintenance and operation are included in governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The School Board (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the School is properly using certain grants.

The School has the following kinds of funds:

- *Governmental funds* – The School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's net position was \$1,111,884 at August 31, 2019. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2019.

Table 1
Net Position

| | Governmental Activities | | Total Change |
|----------------------------------|------------------------------------|-------------------|-------------------------|
| | 2019 | 2018 | 2018-2019 |
| Current assets | \$ 1,047,934 | \$ 923,707 | \$ 124,227 |
| Noncurrent assets | 94,895 | - | 94,895 |
| Total Assets | 1,142,829 | 923,707 | 219,122 |
| Current liabilities | 30,945 | 39,947 | (9,002) |
| Total Liabilities | 30,945 | 39,947 | (9,002) |
| Net Position: | | | |
| Net investment of capital assets | 94,895 | - | 94,895 |
| Restricted | 127,044 | 53,295 | 73,749 |
| Unrestricted | 889,945 | 830,465 | 59,480 |
| Total Net Position | \$ 1,111,884 | \$ 883,760 | \$ 228,124 |

UT TYLER
UNIVERSITY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

Table 2
Changes in Net Position

| | Governmental Activities | | Total Change |
|---|----------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2018-2019 |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,955 | \$ 150,802 | \$ (148,847) |
| Operating grants and contributions | 612,447 | 238,023 | 374,424 |
| General revenues: | | | |
| Grants and contributions not restricted | 6,334,166 | 5,620,631 | 713,535 |
| Miscellaneous | 2,538 | 7,446 | (4,908) |
| Total Revenue | <u>6,951,106</u> | <u>6,016,902</u> | <u>934,204</u> |
| Expenses | | | |
| Instruction | 4,263,354 | 3,548,833 | 714,521 |
| Instructional resources and media services | 4,910 | 4,877 | 33 |
| Curriculum and staff development | 302,409 | 279,960 | 22,449 |
| Instructional leadership | 68,094 | 61,991 | 6,103 |
| School leadership | 442,700 | 552,414 | (109,714) |
| Guidance, counseling, and evaluation services | 198,639 | 165,855 | 32,784 |
| Social work | 22,451 | 18,413 | 4,038 |
| Health services | 40,725 | 27,047 | 13,678 |
| Student (pupil) transportation | 5,453 | 47,806 | (42,353) |
| Food services | 29,716 | 46,702 | (16,986) |
| Extracurricular | 92,282 | 86,714 | 5,568 |
| General administration | 408,041 | 407,064 | 977 |
| Plant maintenance and operations | 649,897 | 433,167 | 216,730 |
| Data processing | 148,507 | 58,163 | 90,344 |
| Community service | 45,804 | - | 45,804 |
| Total Expenses | <u>6,722,982</u> | <u>5,739,006</u> | <u>983,976</u> |
| Change in Net Position | <u>228,124</u> | <u>277,896</u> | <u>(49,772)</u> |
| Beginning net position | 883,760 | 605,864 | 277,896 |
| Ending Net Position | <u>\$ 1,111,884</u> | <u>\$ 883,760</u> | <u>\$ 228,124</u> |

Current year end ending net position is \$1,111,884, which is an increase of \$228,124 over prior year net position of \$883,760. Total revenue for governmental activities increased by \$934,204, which is primarily due to an increase in grants and contributions not restricted. The increase in total revenue is offset by an increase in total expenses of \$983,976. This increase in expenses is mainly due to a rise in instruction expenses. Both the increases in revenue and expenses can be attributed to the growth in enrollment for the School.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2019, the School's governmental funds reported a combined fund balance of \$1,016,989. This compares to a combined fund balance of \$883,760 at August 31, 2018. The general fund experienced a positive increase in fund balance of \$59,480 as a result of additional state program revenue.

UT TYLER
UNIVERSITY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the School prepares an annual budget for the general fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues were more than budgeted revenues by \$54,140 and the budgeted expenditures exceeded actual expenditures by \$106,357.

The variance in expenditures was primarily the result of higher than expected expenditures for instruction and lower than expected expenditures in student transportation.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2019, the School used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2019, the School had a total of \$94,895 invested in capital assets (net of depreciation) such as furniture and equipment. This total includes \$94,895 invested during the fiscal year ended August 31, 2019.

Major capital asset events during the fiscal year included the following:

- 2020 Blue Bird bus \$94,895

More detailed information about the School's capital assets can be found in note III.A. to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

The School anticipates increases in revenues and expenditures for the additional growth in the school during 2019-2020 fiscal year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office at 3900 University Blvd., Tyler, Texas.

BASIC FINANCIAL STATEMENTS

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UT TYLER UNIVERSITY ACADEMY

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2019

| <u>Data Control Codes</u> | | 1 | <u>Governmental Activities</u> |
|-----------------------------------|----------------------------------|---------------------------|------------------------------------|
| <u>Assets</u> | | | |
| 1110 | Cash and cash equivalents | \$ | 952,996 |
| 1240 | Due from other governments | | 90,179 |
| 1290 | Other receivables | | 4,759 |
| | | | <u>1,047,934</u> |
| | Capital assets: | | |
| 1530 | Furniture and equipment, net | | <u>94,895</u> |
| | | | <u>94,895</u> |
| 1000 | | Total Assets | <u>1,142,829</u> |
| <u>Liabilities</u> | | | |
| 2110 | Accounts payable | | 29,447 |
| 2190 | Due to students | | 1,498 |
| | | Total Liabilities | <u>30,945</u> |
| <u>Net Position</u> | | | |
| 3200 | Net investment in capital assets | | 94,895 |
| | Restricted for: | | |
| 3890 | Other programs | | 127,044 |
| 3900 | Unrestricted | | 889,945 |
| 3000 | | Total Net Position | <u>\$ 1,111,884</u> |

See Notes to Financial Statements.

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UT TYLER UNIVERSITY ACADEMY

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2019

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | 6 |
|--------------------------------|---|---------------------|----------------------|------------------------------------|---|
| | | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| 0011 | Instruction | \$ 4,263,354 | \$ - | \$ 256,056 | \$ (4,007,298) |
| 0012 | Instructional resources and media services | 4,910 | - | - | (4,910) |
| 0013 | Curriculum and staff development | 302,409 | - | 81,947 | (220,462) |
| 0021 | Instructional leadership | 68,094 | - | - | (68,094) |
| 0023 | School leadership | 442,700 | - | - | (442,700) |
| 0031 | Guidance, counseling, and evaluation services | 198,639 | - | 54,641 | (143,998) |
| 0032 | Social services | 22,451 | - | - | (22,451) |
| 0033 | Health services | 40,725 | - | - | (40,725) |
| 0034 | Student (pupil) transportation | 5,453 | - | - | (5,453) |
| 0035 | Food services | 29,716 | 1,955 | 9,337 | (18,424) |
| 0036 | Extracurricular | 92,282 | - | 76,185 | (16,097) |
| 0041 | General administration | 408,041 | - | 6,106 | (401,935) |
| 0051 | Plant maintenance and operations | 649,897 | - | - | (649,897) |
| 0053 | Data processing | 148,507 | - | - | (148,507) |
| 0061 | Community services | 45,804 | - | 128,175 | 82,371 |
| | Total Governmental Activities | <u>\$ 6,722,982</u> | <u>\$ 1,955</u> | <u>\$ 612,447</u> | <u>(6,108,580)</u> |
| General Revenues | | | | | |
| GC | Grants and contributions not restricted | | | | 6,334,166 |
| MI | Miscellaneous local and intermediate revenue | | | | 2,538 |
| TR | | | | Total General Revenues | <u>6,336,704</u> |
| CN | | | | Change in Net Position | 228,124 |
| NB | Beginning net position | | | | 883,760 |
| NE | | | | Ending Net Position | <u>\$ 1,111,884</u> |

See Notes to Financial Statements.

UT TYLER UNIVERSITY ACADEMY

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2019

| Data Control Codes | 10 | 211 | 410 | State Textbook | Nonmajor Governmental |
|-----------------------------|----------------------------|-------------------|------------------|------------------|-----------------------|
| | <u>General</u> | <u>Title I</u> | | | |
| <u>Assets</u> | | | | | |
| 1110 | Cash and cash equivalents | \$ 829,213 | \$ - | \$ - | \$ 123,783 |
| 1240 | Due from other governments | 26,956 | 12,245 | 44,457 | 6,521 |
| 1260 | Due from other funds | 55,617 | - | - | - |
| 1290 | Other receivables | - | - | - | 4,759 |
| 1000 | Total Assets | <u>\$ 911,786</u> | <u>\$ 12,245</u> | <u>\$ 44,457</u> | <u>\$ 135,063</u> |
| <u>Liabilities</u> | | | | | |
| 2110 | Accounts payable | \$ 21,841 | \$ 7,606 | \$ - | \$ - |
| 2170 | Due to other funds | - | 4,639 | 44,457 | 6,521 |
| 2190 | Due to students | - | - | - | 1,498 |
| 2000 | Total Liabilities | <u>21,841</u> | <u>12,245</u> | <u>44,457</u> | <u>8,019</u> |
| <u>Fund Balances</u> | | | | | |
| Restricted for: | | | | | |
| 3490 | Other programs | - | - | - | 127,044 |
| 3600 | Unassigned | 889,945 | - | - | - |
| 3000 | Total Fund Balances | <u>889,945</u> | <u>-</u> | <u>-</u> | <u>127,044</u> |
| 4000 | Total Liabilities | | | | |
| 4000 | and Fund Balances | <u>\$ 911,786</u> | <u>\$ 12,245</u> | <u>\$ 44,457</u> | <u>\$ 135,063</u> |

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - depreciable

Net Position of Governmental Activities

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$ 952,996
90,179
55,617
4,759

\$ 1,103,551

\$ 29,447
55,617
1,498

86,562

127,044
889,945

1,016,989

94,895

\$ 1,111,884

UT TYLER UNIVERSITY ACADEMY

UNIVERSITY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended August 31, 2019

| Data Control Codes | 10 | 211 | 410 | |
|--------------------------|--|-------------------|-------------------|--------------------------|
| | General | Title I | State Textbook | Nonmajor Governmental |
| Revenues | | | | |
| 5700 | Local and intermediate sources | \$ 2,538 | \$ - | \$ - |
| 5800 | State program revenues | 6,334,166 | 58,497 | 386,742 |
| 5900 | Federal program revenues | - | 40,615 | 126,591 |
| 5020 | Total Revenues | <u>6,336,704</u> | <u>40,615</u> | <u>515,290</u> |
| Expenditures | | | | |
| Current: | | | | |
| 0011 | Instruction | 4,070,964 | - | 58,497 |
| 0012 | Instructional resources and media services | 4,910 | - | - |
| 0013 | Curriculum/instructional staff development | 220,462 | - | 81,947 |
| 0021 | Instructional leadership | 68,094 | - | - |
| 0023 | School leadership | 442,700 | - | - |
| 0031 | Guidance, counseling, and evaluation services | 143,998 | - | 54,641 |
| 0032 | Social work | 22,451 | - | - |
| 0033 | Health services | 40,725 | - | - |
| 0034 | Student (pupil) transportation | 5,453 | - | - |
| 0035 | Food services | 25,094 | - | 4,622 |
| 0036 | Extracurricular | 19,510 | - | 72,772 |
| 0041 | General administration | 401,935 | - | 6,106 |
| 0051 | Plant maintenance and operations | 649,897 | - | - |
| 0053 | Data processing | 60,947 | - | 87,560 |
| 0061 | Community services | 5,189 | 40,615 | - |
| 0081 | Capital outlay | 94,895 | - | - |
| 6030 | Total Expenditures | <u>6,277,224</u> | <u>40,615</u> | <u>58,497</u> |
| 1200 | Net Change in Fund Balances | 59,480 | - | 73,749 |
| 0100 | Beginning fund balances | 830,465 | - | 53,295 |
| 3000 | Ending Fund Balances | <u>\$ 889,945</u> | <u>\$ -</u> | <u>\$ 127,044</u> |

Net change in fund balance - total governmental funds

Amounts reported for governmental activities in the Statement of Activities are
different because:

Capital activity, net

Change in Net Position of Governmental Activities

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$ 4,495
6,779,405

167,206

6,951,106

4,263,354

4,910

302,409

68,094

442,700

198,639

22,451

40,725

5,453

29,716

92,282

408,041

649,897

148,507

45,804

94,895

6,817,877

133,229

883,760

\$ 1,016,989

\$ 133,229

94,895

\$ 228,124

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UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

UTT, UT System, and the School have elected to define the School's reporting entity to include only activities in the School's name. The School's proportionate share of liabilities in the name of UTT and/or UT System are reported by UTT and/or UT System. Accordingly, transactions associated with facilities and associated bonds, pensions, and other postemployment benefits related to the School's activities in the name of UTT and/or UT System are not reported by the School. However, the School has elected to make limited disclosures with respect to these matters in notes III. C. and D. The associated financial activities related to these items and required disclosures are made within the UT System's and the State's Annual Financial Reports. These financial statements present financial information that is attributable to the School and do not purport to, and do not, present fairly the financial position of UTT, UT System, or the State.

The School is chartered by the State Board of Education and accredited by the TEA. Courses are developed to comply with the Texas Essential Knowledge and Skills (TEKS) objectives and are compliant. The School's administrators and staff are degreed and certified for the positions to which they are assigned.

As approved in the Charter application, the Chief Administrative Officer of the School is the Superintendent of the School. The Superintendent reports to the School Board (the "Board"), which reports to the President of UTT, who is ultimately responsible to the UT System Board of Regents (the "Regents"), appointed by the Governor of the State and confirmed by the Texas Senate. The reporting structure effectively outlines the governing body of the School, with the President and the Regents retaining final oversight. The Board works to ensure effective operation of the School. The UTT faculty provides educational curriculum to kindergarten through grade twelve.

The School is supported by UTT, both directly and indirectly, through revenue, management oversight, services, supplies, operation, and maintenance.

The School had a name change during the current fiscal year to UT Tyler University Academy, it was known in previous fiscal years as The University of Texas of Tyler Innovation Academy.

UT TYLER
UNIVERSITY ACADEMY
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 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 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 and various other functions of the School. 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 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 School reports the following governmental funds:

General Fund

The general fund is used to account for and report all financial resources of the School not accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Special Revenue Funds

Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Most of the special revenue funds are considered nonmajor funds for reporting purposes, however the Title I and State Textbook funds met the technical criteria to be presented as major funds.

During the course of operations, the 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.

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

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 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 School.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

On a monthly basis, UTT provides the School with a statement of accounts showing all fund activities for the month and ending monthly balances which is then reconciled to the accounts of the School. Such deposits are insured or collateralized with securities held by UTT in UTT's name. The School does not maintain investments of any kind outside the operating bank account since funds available are retained by UTT, therefore, the only interest accruing to the School is from the operating bank account.

2. Investments

The School does not maintain investments of any kind.

3. Capital Assets

Capital assets, which include furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful years:

| <u>Asset Description</u> | <u>Estimated Useful Life</u> |
|--------------------------|------------------------------|
| Furniture and equipment | 12 years |

4. Receivables and Payables

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

5. Long-Term Obligations

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

6. Net Position Flow Assumption

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

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

7. Fund Balance Flow Assumptions

Sometimes the 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 School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The 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. Restricted fund balance represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board is the highest level of decision-making authority for the School that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the 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.

9. Estimates

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

10. Data Control Codes

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

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the 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 School prepares an annual budget for the general fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the School amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures.

III. DETAILED NOTES ON ALL FUNDS

A. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>(Decreases)</u> | <u>Ending Balances</u> |
|--|-------------------------------|---|--------------------|----------------------------|
| Governmental Activities: | | | | |
| Other capital assets: | | | | |
| Furniture and equipment | \$ - | \$ 94,895 | \$ - | \$ 94,895 |
| Total Other Capital Assets | <u>-</u> | <u>94,895</u> | <u>-</u> | <u>94,895</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | - | - | - | - |
| Total Accumulated Depreciation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other capital assets, net | - | 94,895 | - | 94,895 |
| Governmental Activities Capital Assets, Net | <u>\$ -</u> | <u>\$ 94,895</u> | <u>\$ -</u> | <u>94,895</u> |
| | | Net Investment in Capital Assets | | <u>\$ 94,895</u> |

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

IV. OTHER INFORMATION

A. Risk Management

The 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 UTT purchases commercial insurance. The School's operations have been incidental to UTT insurance coverage or settlements for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

Teacher Retirement System (TRS)

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

All UT System personnel employed in a position on a half time or greater basis for at least 4½ months or more are eligible for membership in TRS. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS provides retirement, disability annuities, and death and survivor benefits. The benefit and contribution provisions of TRS are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. TRS does not provide automatic cost-of-living adjustments.

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

Optional Retirement Program (ORP)

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

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

<https://www.utsystem.edu/sites/default/files/documents/report-state/2018/consolidated-annual-financial-report-fy-2018/ut-system-audit-afr-2018.pdf>

D. Other Postemployment Benefits

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

Plan Description and Funding Policy

OPEB are provided to UT System's retirees under the UT System Employee Group Insurance Program (EGIP). EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding EGIP, the State is reporting a proportionate share. Chapter 1551 of the Texas Insurance Code, Sections 310 and 311, require that the State contribute to the cost of each participant's insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) contributions. The State's proportion is 22.83 percent of the collective OPEB related liabilities, deferred outflows and inflows, and expense based on HEGI contributions by the State to total contributions as of August 31, 2018 and 2017. The UT System's proportion as of the August 31, 2018 and 2017 measurement dates was 77.17 percent. At August 31, 2018 and 2017, the amount of the total OPEB liability related to UT System reported by the State was \$3,171,184,120 and \$3,188,913,639, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on UT System's financial statements in the fiscal year that the State contributed the amounts for OPEB on the UT System's behalf.

The UT System and member contribution rates are determined annually by UT System based on the recommendations of the UT System's Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred, the funds appropriated, and the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. UT System revises benefits when necessary to match expected

UT TYLER
UNIVERSITY ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2019

benefit and administrative costs with available revenue. EGIP is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

<https://www.utsystem.edu/sites/default/files/documents/report-state/2018/consolidated-annual-financial-report-fy-2018/ut-system-audit-afr-2018.pdf>

E. Employee Health Care Coverage

The School provides health care benefits through the UTT health coverage plan to all School employees who meet UTT employment qualifications and requirements.

F. School Operations

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

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REQUIRED SUPPLEMENTARY INFORMATION

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UT TYLER UNIVERSITY ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - EXHIBIT G-1

For the Year Ended August 31, 2019

| Data Control Codes | | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------|---|---------------------|---------------------|-------------------|--|
| | | Original | Final | | |
| | Revenues | | | | |
| 5700 | Local and intermediate sources | \$ - | \$ - | \$ 2,538 | \$ 2,538 |
| 5800 | State program revenues | 6,282,564 | 6,282,564 | 6,334,166 | 51,602 |
| 5020 | Total Revenues | <u>6,282,564</u> | <u>6,282,564</u> | <u>6,336,704</u> | <u>54,140</u> |
| | Expenditures | | | | |
| 0011 | Instruction | 4,242,477 | 4,040,403 | 4,070,964 | (30,561) |
| 0012 | Instructional resources and media services | 5,000 | 5,000 | 4,910 | 90 |
| 0013 | Curriculum and instructional staff development | 220,531 | 220,531 | 220,462 | 69 |
| 0021 | Instructional leadership | 60,843 | 70,843 | 68,094 | 2,749 |
| 0023 | School leadership | 544,075 | 442,815 | 442,700 | 115 |
| 0031 | Guidance, counseling, and evaluation services | 147,443 | 147,443 | 143,998 | 3,445 |
| 0032 | Social services | 18,450 | 22,452 | 22,451 | 1 |
| 0033 | Health services | 44,180 | 44,180 | 40,725 | 3,455 |
| 0034 | Student (pupil) transportation | 48,500 | 98,605 | 5,453 | 93,152 |
| 0035 | Food service | 23,224 | 37,226 | 25,094 | 12,132 |
| 0036 | Extracurricular | 19,700 | 19,700 | 19,510 | 190 |
| 0041 | General administration | 405,797 | 405,797 | 401,935 | 3,862 |
| 0051 | Plant maintenance and operations | 549,344 | 664,436 | 649,897 | 14,539 |
| 0053 | Data processing | 54,017 | 61,317 | 60,947 | 370 |
| 0061 | Community services | - | 7,938 | 5,189 | 2,749 |
| 0081 | Capital outlay | | 94,895 | 94,895 | - |
| 6030 | Total Expenditures | <u>6,383,581</u> | <u>6,383,581</u> | <u>6,277,224</u> | <u>106,357</u> |
| 1200 | Net Change in Fund Balance | (101,017) | (101,017) | 59,480 | 160,497 |
| 0100 | Beginning fund balance | - | - | 830,465 | 830,465 |
| 3000 | Ending Fund Balance | <u>\$ (101,017)</u> | <u>\$ (101,017)</u> | <u>\$ 889,945</u> | <u>\$ 990,962</u> |

Notes to Required Supplementary Information:

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

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OTHER SUPPLEMENTARY INFORMATION

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UT TYLER UNIVERSITY ACADEMY

SCHEDULE OF EXPENSES - EXHIBIT J-2

For the Year Ended August 31, 2019

| Data Control Codes | Expenses | Amount |
|-----------------------------------|---------------------------------------|---------------------|
| 6100 | Payroll costs | \$ 5,060,444 |
| 6200 | Professional and contractual services | 894,615 |
| 6300 | Supplies and materials | 642,558 |
| 6400 | Other operating costs | 125,365 |
| | Total Expenses | \$ 6,722,982 |

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COMPLIANCE SECTION

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

January 13, 2020

To the School Board of
UT Tyler University Academy:

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 UT Tyler University Academy (the "School") (a department of the University of Texas at Tyler, 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 January 13, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

UT TYLER
UNIVERSITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of UT Tyler University Academy.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS

None Noted

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UT TYLER
UNIVERSITY ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2019

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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UT TYLER UNIVERSITY ACADEMY
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2019

| <u>Data Control Codes</u> | | <u>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 School make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies? | Yes |
| SF8 | Did the School <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end. | <u>\$ -</u> |
| SF11 | Net pension asset (1920) at fiscal year end | <u>\$ -</u> |
| SF12 | Net pension liability (2540) at fiscal year end | <u>\$ -</u> |

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Required Auditor Disclosure Letter

January 13, 2020

To the School Board of
The University of Texas at Tyler University Academy:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Texas at Tyler University Academy (the “School”) (a department of the University of Texas at Tyler, which is an agency of the State of Texas), as of and for the year ended August 31, 2019, and have issued our report thereon dated January 13, 2020. Professional standards require that we provide the School Board (the “governing body”) with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of the audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 14, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body’s oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the governing body in our engagement letter dated May 14, 2019.

III. Significant Audit Findings

I. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- B. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the School's relationship with The University of Texas at Tyler, including direct and indirect support provided through revenue, management oversight, services and supplies, operations, and maintenance.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2020.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as identified on the table of contents, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or required responses to selected school first indicators, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide any assurance on it.

V. Restrictions on Use

This information is intended solely for the use of the governing body and management of the School and is not intended to be, and should not be, used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

THE UNIVERSITY OF TEXAS AT TYLER
UNIVERSITY ACADEMY
AUDIT ADJUSTING JOURNAL ENTRIES
For the Year Ended August 31, 2019

| <u>AJE</u> | <u>Fund</u> | <u>Object</u> | <u>Description</u> | <u>Debits</u> | <u>Credits</u> | <u>Explanation</u> |
|------------|-------------|---------------|------------------------|---------------|----------------|--|
| 1 | 211 | 1110 | Cash | 4,639 | | Record due to general fund to cover negative cash. |
| | 211 | 2170 | Due to other funds | | 4,639 | |
| 2 | 289 | 1110 | Cash | 577 | | Record due to general fund to cover negative cash. |
| | 289 | 2170 | Due to other funds | | 577 | |
| 3 | 410 | 1110 | Cash | 44,457 | | Record due to general fund to cover negative cash. |
| | 410 | 2170 | Due to other funds | | 44,457 | |
| 4 | 429 | 1110 | Cash | 5,944 | | Record due to general fund to cover negative cash. |
| | 429 | 2170 | Due to other funds | | 5,944 | |
| 5 | 420 | 1260 | Due from other funds | 55,617 | | Record due from nonmajor to cover negative cash. |
| | 420 | 1110 | Cash | | 55,617 | |
| 6 | 240 | 5751 | Due to students | 1,039 | | Reversing prior year lunch funds due to students at year end. |
| | 240 | 1290 | Revenues | | 1,039 | |
| 7 | 240 | 5751 | Revenues | 628 | | Record lunch funds due to students at year end. |
| | 240 | 1290 | Due to students | | 628 | |
| 8 | 420 | 81-6399 | Capital outlay | 94,895 | | Correct coding for bus purchase. |
| | 420 | 34-6399 | Student transportation | | 94,895 | |
| 9 | 499 | 5751 | Revenues | 870 | | Balances due back to students from tech fund and after school program. |
| | 499 | 1290 | Due to students | | 870 | |
| 10 | 499 | 5751 | Revenues | 4,760 | | Balances due to school for tech fund and afterschool program. |
| | 499 | 1290 | Due to students | | 4,760 | |