

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
(a department of Sam Houston State University,  
an agency of the State of Texas)  
Huntsville, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2024

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## INTRODUCTORY SECTION


SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
CERTIFICATE OF BOARD  
August 31, 2024

Sam Houston State University Charter School  
Name of School

Walker  
County

236-802  
School Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 23<sup>rd</sup> day of January, 2025.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sam Houston State University Charter School  
Huntsville, Texas

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sam Houston State University Charter School ("the School") (a department of Sam Houston State University, which is an agency of the State of Texas) as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 and for the year ended August 31, 2024, 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.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sam Houston State University Charter School' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 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.

#### *Supplementary 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 accompanying are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2025, 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 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 School's internal control over financial reporting and compliance.

Lufkin, Texas  
January 23, 2025

  
CERTIFIED PUBLIC ACCOUNTANTS



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sam Houston State University Charter School's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended August 31, 2024. This Management's Discussion and Analysis 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 School's financial statements.

### FINANCIAL HIGHLIGHTS

- The School's total combined net position was \$3,079,608 as of August 31, 2024.
- For the fiscal year ended August 31, 2024, the School's general fund reported a total fund balance of \$3,079,298.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 kind 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, liabilities, and deferred outflows/inflows of resources. 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 financial statements of the School's net position and how it has changed. Net position is the difference between the School's assets, liabilities, and deferred outflows/inflows of resources 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.
- 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 operations 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The School's net position was \$3,079,608 as of August 31, 2024. The following tables provide a summary of the School's net position and the revenues and expenses.





**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 any questions about this report or need additional financial information, contact the School's Business Office at SHSU Charter School, Box 2119, Huntsville, Texas 77341, 936.294.3347.

BASIC FINANCIAL STATEMENTS

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
STATEMENT OF NET POSITION  
August 31, 2024

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 2 399 609
1240	Due from other governments	725 630
1290	Other receivables	138 860
1000	TOTAL ASSETS	3 264 099
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	18 170
2180	Due to SHSU	125 304
2000	TOTAL CURRENT LIABILITIES	143 474
	DEFERRED INFLOWS	
2600	Unavailable revenue	41 017
	TOTAL LIABILITIES AND DEFERRED INFLOWS	184 491
	NET POSITION	
	Restricted for:	
3820	Federal and state programs	310
3900	Unrestricted	3 079 298
3000	TOTAL NET POSITION	\$ 3 079 608

The accompanying notes are an integral part of this statement.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2024

EXHIBIT B-1

DATA CONTROL CODES	1	4	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental Activities:			
11	\$ 2 781 140	\$ 64 862	\$ (2 716 278)
13	25 148	104	(25 044)
21	63 215	-	(63 215)
23	193 195	-	(193 195)
34	30 265	-	(30 265)
41	379 455	-	(379 455)
51	709 942	-	(709 942)
52	227 790	125 304	(102 486)
TG	<u>\$ 4 410 150</u>	<u>\$ 190 270</u>	<u>(4 219 880)</u>
GC	Grants and contributions not restricted		4 232 991
MI	Miscellaneous local revenue		7
TR	TOTAL GENERAL REVENUES		<u>4 232 998</u>
CN	CHANGE IN NET POSITION		13 118
PA	Prior period adjustment		654 369
NB	Beginning net position		<u>2 412 121</u>
NE	ENDING NET POSITION		<u>\$ 3 079 608</u>

The accompanying notes are an integral part of this statement.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2024

EXHIBIT C-1

DATA CONTROL CODES		10  GENERAL FUND	OMF  429 SAFETY AND SECURITY	ONMF  NONMAJOR GOVERN- MENTAL FUNDS	98  TOTAL GOVERN- MENTAL FUNDS
	ASSETS				
1110	Cash and cash equivalents	\$ 2 394 129	\$ -	\$ 5 480	\$ 2 399 609
1240	Due from other governments	600 326	125 304	-	725 630
1290	Other receivables	138 860	-	-	138 860
1000	TOTAL ASSETS	<u>\$ 3 133 315</u>	<u>\$ 125 304</u>	<u>\$ 5 480</u>	<u>\$ 3 264 099</u>
	LIABILITIES				
2110	Accounts payable	\$ 18 170	\$ -	\$ -	\$ 18 170
2180	Due to Sam Houston State University	-	125 304	-	125 304
2000	TOTAL LIABILITIES	<u>18 170</u>	<u>125 304</u>	<u>-</u>	<u>143 474</u>
	DEFERRED INFLOWS				
2600	Unavailable revenue	35 847	-	5 170	41 017
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>54 017</u>	<u>125 304</u>	<u>5 170</u>	<u>184 491</u>
	FUND BALANCES				
3450	Restricted for grant funds	-	-	310	310
3600	Unassigned	3 079 298	-	-	3 079 298
3000	TOTAL FUND BALANCE	<u>3 079 298</u>	<u>-</u>	<u>310</u>	<u>3 079 608</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 133 315</u>	<u>\$ 125 304</u>	<u>\$ 5 480</u>	<u>\$ 3 264 099</u>

The accompanying notes are an integral part of this statement.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2024

EXHIBIT C-2

DATA CONTROL CODES		10	OMF	ONMF	98
		GENERAL FUND	429 SAFETY AND SECURITY	NONMAJOR GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ 7	\$ 7
5800	State program revenues	4 232 991	125 304	-	4 358 295
5900	Federal program revenues	-	-	64 966	64 966
5000	TOTAL REVENUES	<u>4 232 991</u>	<u>125 304</u>	<u>64 973</u>	<u>4 423 268</u>
	Expenditures:				
0011	Instruction	2 716 518	-	64 622	2 781 140
0013	Curriculum/instructional staff development	25 044	-	104	25 148
0021	Instructional leadership	63 215	-	-	63 215
0023	School leadership	193 195	-	-	193 195
0034	Student transportation	30 265	-	-	30 265
0041	General administration	379 455	-	-	379 455
0051	Plant maintenance and operations	709 942	-	-	709 942
0052	Security and monitoring	102 486	125 304	-	227 790
6000	TOTAL EXPENDITURES	<u>4 220 120</u>	<u>125 304</u>	<u>64 726</u>	<u>4 410 150</u>
1200	NET CHANGE IN FUND BALANCES	<u>12 871</u>	<u>-</u>	<u>247</u>	<u>13 118</u>
0100	Beginning fund balances	2 412 058	-	63	2 412 121
	Prior period adjustment	654 369	-	-	654 369
0300	BEGINNING FUND BALANCES, RESTATED	<u>3 066 427</u>	<u>-</u>	<u>63</u>	<u>3 066 490</u>
3000	ENDING FUND BALANCES	<u>\$ 3 079 298</u>	<u>\$ -</u>	<u>\$ 310</u>	<u>\$ 3 079 608</u>

The accompanying notes are an integral part of this statement.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

NOTE 1 - 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 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

Sam Houston State University Charter School (the "School") is a department of Sam Houston State University ("SHSU"), which is an agency of the State of Texas (the "State"). 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 SHSU or the State.

SHSU 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 SHSU are reported by SHSU. Accordingly, transactions associated with facilities and associated bonds, pensions, and other postemployment benefits related to the School's activities in the name of SHSU are not reported by the School. However, the School has elected to make limited disclosures with respect to these matters in Note 3. The associated financial activities related to these items and required disclosures are made with the SHSU's and the State's Annual Financial Reports.

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 objectives and are compliant. The School's administrators and staff are degreed and certified for the positions to which they are assigned.

The School strives to partner with independent schools in the greater Houston area to assist in overpopulation of the current schools and provide an alternative education to families. The 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.

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 SHSU, who is ultimately responsible to the Texas State University System's Board of Regents (the "Regents"), appointed by the Governor of the State of Texas, 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 School is supported by SHSU, both directly and indirectly, through revenue, management oversight, services, supplies, and operation.

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. The SAFETY AND SECURITY supplemental fund is considered a major fund, the remaining special revenue funds are considered nonmajor funds for reporting purposes.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation insurance. The School's funds are maintained by SHSU.

On a monthly basis, SHSU 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 SHSU in SHSU's name.

The School does not maintain investments of any kind outside the operating bank account since funds available are retained by SHSU, therefore, there is no interest accruing to the School .

2. Capital Assets

Since title and ownership of all capital assets are in SHSU's name, no capital assets are reported in the accompanying financial statements.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. 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.

4. Long-Term Obligations

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

5. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

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.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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.

NOTE 2 - 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.

A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

None

NOTE 3 - 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 SHSU purchases commercial insurance. The School's operations have been incidental to SHSU insurance coverage or settlements for the past two 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 Plan

*Plan Description*

The School participates in SHSU's cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan is 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.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2024

NOTE 3 - OTHER INFORMATION - CONTINUED

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

The total liability related to the pension plan is recorded by SHSU and no liability is reported in the accompanying financial statements.

*Pension Plan Fiduciary Net Position*

Detailed information about 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 [https://www.trs.texas.gov/TRS Documents/acfr-2021.pdf](https://www.trs.texas.gov/TRS_Documents/acfr-2021.pdf) selecting *About TRS*, then *Publications*, then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

D. Other Postemployment Benefits

*Plan Description and Fund Policy*

The School participates in SHSU's cost-sharing, multiple-employer, other postemployment benefits (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.

The total liability related to the OPEB plan is recorded by SHSU and no liability is reported in the accompanying financial statements.

*OPEB Plan Fiduciary Net Position*

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive 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/Report-on-Overall-ERS-Operations-and-financial-Management>; by writing to ERS at 200 East 18th Street, Austin, TX 78701; or by calling 877.275.4377. The fiduciary net position of GBP has been determined using the same basis used by the OPEB plan.

E. Employee Health Care Coverage

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

F. School Operations

The School did not conduct any other charter or non-charter activities.

G. Subsequent Events

Management has evaluated subsequent events through January 23, 2025, the date the financial statements were available to be issued.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded to reflect the allocation of foundation grant funds for the 2023-2024 school year earned prior to August 31, 2023 and not previously reported.

#### REQUIRED SUPPLEMENTARY INFORMATION

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

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended August 31, 2024

EXHIBIT G-1

DATA CONTROL CODES		1		2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS				
		ORIGINAL	FINAL	ACTUAL		
	Revenues:					
5800	State program revenues	\$ 4 087 545	\$ 4 456 999	\$ 4 232 991	\$ (224 008)	
5020	TOTAL REVENUES	<u>4 087 545</u>	<u>4 456 999</u>	<u>4 232 991</u>	<u>(224 008)</u>	
	Expenditures:					
0011	Instruction	2 824 823	2 720 317	2 716 518	3 799	
0013	Curriculum and instructional staff development	32 000	35 000	25 044	9 956	
0021	Instructional leadership	-	65 000	63 215	1 785	
0023	School leadership	123 220	221 175	193 195	27 980	
0034	Student transportation	-	40 000	30 265	9 735	
0041	General administration	286 144	383 182	379 455	3 727	
0051	Plant maintenance and operations	781 178	848 090	709 942	138 148	
0052	Security and monitoring services	-	104 055	102 486	1 569	
6030	TOTAL EXPENDITURES	<u>4 047 365</u>	<u>4 416 819</u>	<u>4 220 120</u>	<u>196 699</u>	
1200	NET CHANGE IN FUND BALANCES	<u>40 180</u>	<u>40 180</u>	<u>12 871</u>	<u>(27 309)</u>	
0100	Fund balance - Beginning	2 412 058	2 142 058	2 412 058	-	
	Prior period adjustment	654 369	654 369	654 369	-	
1300	FUND BALANCE - BEGINNING, RESTATED	<u>3 066 427</u>	<u>3 066 427</u>	<u>3 066 427</u>	<u>-</u>	
3000	FUND BALANCE - ENDING	\$ <u>3 106 607</u>	\$ <u>3 106 607</u>	\$ <u>3 079 298</u>	\$ <u>(27 309)</u>	

See independent auditor's report.

SUPPLEMENTARY INFORMATION

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
SCHEDULE OF EXPENSES  
For the Year Ended August 31, 2024

EXHIBIT J-2

<u>DATA CONTROL CODES</u>		<u>AMOUNT</u>
	Expenses:	
6100	Payroll costs	\$ 3 128 553
6200	Professional and contractual services	1 104 798
6300	Supplies and materials	63 923
6400	Other operating costs	<u>112 876</u>
	TOTAL EXPENSES	<u>\$ 4 410 150</u>

See independent auditor's report.



SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
STATE SUPPLEMENTAL ALLOTMENT COMPLIANCE  
USE OF FUNDS REPORT  
For the Year Ended August 31, 2024

EXHIBIT J-4

DATA CONTROL CODES		RESPONSES
	<u>Section A: Compensatory Education Programs</u>	
	Schools are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did the school expend any state compensatory education program state allotment funds during the school's fiscal year?	Yes
AP2	Does the school have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the school's fiscal year.	\$ <u>145 838</u>
AP4	Actual direct program expenditures for state compensatory education programs during the school's fiscal year. (PICs 24,26,28,29,30,34)	\$ <u>112 618</u>
	<u>Section B: Bilingual Education Programs</u>	
	Schools are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did the school expend any bilingual education program state allotment funds during the school's fiscal year?	Yes
AP6	Does the school have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the school's fiscal year.	\$ <u>23 787</u>
AP8	Actual direct program expenditures for bilingual education programs during the school's fiscal year. (PICs 25 and 35)	\$ <u>38 227</u>

INDEPENDENT AUDITOR'S 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*

To the School Board  
Sam Houston State University Charter School  
Huntsville, Texas

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 Sam Houston State University Charter School (the "School") (a department of Sam Houston State University, which is an agency of the State of Texas) as of and for the year ended August 31, 2024, 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 23, 2025.

**Report on 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) as a basis for designing 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 Sam Houston State University Charter 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sam Houston State University Charter 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.

Lufkin, Texas  
January 23, 2025

  
CERTIFIED PUBLIC ACCOUNTANTS

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2024

A. Summary of the Auditor's Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Sam Houston State University Charter School.
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. Basic Financial Statements Audit

NONE

C. Federal Awards

NONE

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2024

None

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2024

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	Did the school make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school is considered <b>to not have made</b> timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Governmental Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school's fiscal year end?	Yes
SF8	Did the board members discuss the school's property values at a board meeting within 120 days before the school adopted its budget?	N/A
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -