ANNUAL FINANCIAL REPORT

of the

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

**(a department of Sam Houston State University,
an agency of the State of Texas)**

**For the Year Ended
August 31, 2020**

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

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August 31, 2020

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Sam Houston State University Charter School

CERTIFICATE OF BOARD

Sam Houston State University Charter School	Walker	236-802
Name of School	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, 2020 at a meeting of the Board on the ____ day of_____, _____.

_____
Signature of Board Secretary

_____
Signature of Board President

If the 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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CERTIFIED PUBLIC ACCOUNTANTS
BELT HARRIS PECHACEK
www.texasauditors.com

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INDEPENDENT AUDITORS' REPORT

To the School Board of
Sam Houston State University Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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, 2020, 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.

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AICPA GAQC Member

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, 2020, and the respective changes in financial position thereof 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 Sam Houston State University (SHSU) 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 SHSU, are reported by SHSU, and not the School. The financial statements do not purport to, and do not, present fairly the financial position of SHSU or the State as of August 31, 2020, 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, 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 October 26, 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
October 26, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2020

This discussion and analysis of 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, 2020. 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 at August 31, 2020 was $44,747.
- For the fiscal year ended August 31, 2020, the School's general fund reported a total fund balance of $44,206.

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, 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 statements report 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 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. 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 SCHOOL AS A WHOLE

The School's net position was a $44,747 at August 31, 2020. *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, 2020.

Table 1
Net Position

	Governmental Activities		Total Change
	2020	2019	2020-2019
Current assets	$ 84,121	$ 223,194	$ (139,073)
Total Assets	84,121	223,194	(139,073)
Current liabilities	28,382	11,559	16,823
Noncurrent liabilities	10,992	681,995	(671,003)
Total Liabilities	39,374	693,554	(654,180)
Net Position:			
Restricted	541	1,284	(743)
Unrestricted	44,206	(471,644)	515,850
Total Net Position	$ 44,747	$ (470,360)	$ 515,107

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2020	2019	2020-2019
Revenues			
Program revenues:			
Operating grants and contributions	$ 58,861	$ 194,301	$ (135,440)
General revenues:			
Grants and contributions not restricted	3,144,760	2,364,034	780,726
Miscellaneous	2,404	-	2,404
Total Revenue	3,206,025	2,558,335	647,690
Expenses			
Instruction	2,037,042	1,698,749	338,293
Curriculum and staff development	8,441	12,046	(3,605)
School leadership	110,563	107,432	3,131
General administration	152,032	175,008	(22,976)
Plant maintenance and operations	371,848	301,948	69,900
Security and monitoring	10,992	-	10,992
Total Expenses	2,690,918	2,295,183	395,735
Change in Net Position	515,107	263,152	251,955
Beginning net position	(470,360)	(733,512)	263,152
Ending Net Position	$ 44,747	$ (470,360)	$ 515,107

Current year end ending net position was $44,747, which is an increase of $515,107 over the prior year's net position deficit of $470,360. Total revenue for governmental activities increased by $647,690 which is primarily due to an increase in grants and contributions. The increase in total revenue is offset by an increase in total expenses of $395,735. This increase in expenses is mainly due to a rise in instruction, and plant maintenance and operations. Both the increases in revenue and expenses can be attributed to the growth in enrollment for the School during the third year of operation.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

At the close of the fiscal year ending August 31, 2020, the School's governmental funds reported a combined fund balance of $44,747. The general fund experienced an increase in fund balance of $515,850. The increase is primarily the result of an increase in state program revenues due to the School's second year of operation and an increase in enrollment over the third year.

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, 2020, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues were more than budgeted revenues by $66,274 and the budgeted expenditures exceeded actual expenditures by $139,101.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School's Board considered many factors when setting the 2020-2021 budget including:

- Average daily attendance
- State aid
- Federal grants
- Donations and contributions
- COVID-19

COVID-19

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The School suspended in-classroom learning for the remainder of the school year. While changes to operations caused a significant hardship, the overall impact to the financial operations for the 2019-2020 school year as a percentage of the overall budget was nominal. Areas impacted the most were teaching and learning, technology, and facilities.

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 SHSU Charter School, Box 2119, Huntsville, TX 77341, (936) 294-3347.

BASIC FINANCIAL STATEMENTS

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2020

Data Control Codes		1 Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 36,064
1240	Due from other governments	48,057
1000	**Total Assets**	84,121
	Liabilities	
	Current liabilities:	
2110	Accounts payable	19,486
2310	Deferred revenue	8,844
2190	Due to students	52
	Total current liabilities	28,382
	Noncurrent liabilities:	
2181	Due to Sam Houston State University	10,992
2500	Total noncurrent liabilities	10,992
2000	**Total Liabilities**	39,374
	Net Position	
	Restricted for:	
3890	Other programs	541
3900	Unrestricted	44,206
3000	**Total Net Position**	44,747

See Notes to Financial Statements.

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Government Governmental Activities
	Primary Government			
	Governmental Activities			
0011	Instruction	$ 2,037,042	$ 58,861	$ (1,978,181)
0013	Curriculum and staff development	8,441	-	(8,441)
0023	School leadership	110,563	-	(110,563)
0041	General administration	152,032	-	(152,032)
0051	Plant maintenance and operations	371,848	-	(371,848)
0052	Security and monitoring	10,992	-	(10,992)
	Total Governmental Activities	$ 2,690,918	$ 58,861	(2,632,057)
		General Revenues		
GC		Grants and contributions not restricted		3,144,760
MI		Miscellaneous local revenue		2,404
TR		**Total General Revenues**		3,147,164
CN		**Change in Net Position**		515,107
NB		Beginning net position		(470,360)
NE		**Ending Net Position**		$ 44,747

See Notes to Financial Statements.

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2020

Data Control Codes		10 General	410 IMA Allotment	427 Security and Safety	Nonmajor Governmental
	Assets				
1110	Cash and cash equivalents	$ 26,679	$ 8,844	$ -	$ 541
1240	Due from other governments	37,065	-	10,992	-
1000	**Total Assets**	$ 63,744	$ 8,844	$ 10,992	$ 541
	Liabilities				
2110	Accounts payable	$ 19,486	$ -	$ -	$ -
2181	Due to Sam Houston State University	-	$ -	10,992	-
2181	Due to state	52	-	-	-
2310	Deferred revenue	-	8,844	-	-
2000	**Total Liabilities**	19,538	8,844	10,992	-
	Fund Balances				
	Restricted for:				
3490	Other programs	-	-	-	541
3600	Unassigned	44,206	-	-	-
3000	**Total Fund Balances**	44,206	-	-	541
4000	**Total Liabilities**				
4000	**and Fund Balances**	$ 63,744	$ 8,844	$ 10,992	$ 541

Total Fund Balances - Balance Sheet

Adjustments for the Statement of Net Position:

No adjustments

Ending Net Position - Governmental Activities

See Notes to Financial Statements.

98 Total Governmental Funds
$ 36,064
48,057
$ 84,121
$ 19,486
10,992
52
8,844
39,374
541
44,206
44,747
84,121
$ 44,747
-
$ 44,747

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

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

For the Year Ended August 31, 2020

Data Control Codes		10 General	410 IMA Allotment	427 Security and Safety	Nonmajor Governmental
	Revenues				
5700	Local and intermediate sources	$ -	$ -	$ -	$ 2,404
5800	State program revenues	3,144,760	-	-	-
5900	Federal program revenues	-	13,496	10,992	34,373
5000	**Total Revenues**	3,144,760	13,496	10,992	36,777
	Expenditures				
	Current:				
0011	Instruction	1,991,774	13,496	-	31,772
0013	Curriculum/instructional staff development	5,077	-	-	3,364
0023	School leadership	110,563	-	-	-
0041	General administration	149,648	-	-	2,384
0051	Plant maintenance and operations	371,848	-	-	-
0052	Security and monitoring	-	-	10,992	-
6000	**Total Expenditures**	2,628,910	13,496	10,992	37,520
1200	**Net Change in Fund Balances**	515,850	-	-	(743)
0100	Beginning fund balances	(471,644)	-	-	1,284
3000	**Ending Fund Balances**	$ 44,206	$ -	$ -	$ 541

Net change in fund balances - governmental funds

Adjustments for change in Net Position

No adjustments

Change in Net Position of Governmental Activities

See Notes to Financial Statements.

	98 Total Governmental Funds
$	2,404
	3,144,760
	58,861
	3,206,025
	2,037,042
	8,441
	110,563
	152,032
	371,848
	10,992
	2,690,918
	515,107
	(470,360)
$	44,747
$	515,107
	-
$	515,107

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020

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

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 notes III. C. and D. The associated financial activities related to these items and required disclosures are made within the SHSU 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 school districts in the greater Houston area to assist in overpopulation of the current school districts 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 IMA allotment and security and safety funds are considered major funds, however, the remaining special revenue funds are considered nonmajor funds for reporting purposes.

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 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 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, the only interest accruing to the School is from the operating bank account.

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.

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. 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.

6. 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.

7. 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.

8. 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.

9. 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.

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.

III. 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

Teacher Retirement System

Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by Teachers Retirement System (TRS). TRS's 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 TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in the State 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.

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 www.trs.texas.gov/TRS%20Documents/cafr2019.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 a cost-sharing, multiple-employer, other postemployment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life, and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents

of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements, and Required Supplementary Information. That report may be obtained on the Internet at https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-financial-Management; 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 noncharter activities.

G. Subsequent Event

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The School suspended in-classroom learning for the remainder of the school year. While the initial event occurred prior to year end, the School was, subsequent to year end, continuing to modify its operations to prevent the spread to protect students, staff, and the community as a whole, while balancing the educational needs of students. In August 2020, the School resumed its 2020-2021 school year, with in-classroom learning, but providing parents and guardians the option for virtual learning on a semester-by-semester basis. Approximately 41% of students elected virtual learning. The School has made numerous changes to its operations, including provisions for students and staff to wear masks, more frequent cleanings, and numerous other changes. While such changes cause a significant hardship and have increased expenses, such increases are nominal in comparison to the overall budget. The School is continuing to monitor exposure levels with students, staff, and the community as a whole, but to date the overall exposure threat level has been sufficiently low to continue with in-class learning, but the School is ready to modify its plans if necessary. The School will continue to seek out additional funding to cover the increased costs in responding to the pandemic.

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REQUIRED SUPPLEMENTARY INFORMATION

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

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

For the Year Ended August 31, 2020

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Positive (Negative)
	Revenues				
5800	State program revenues	$ 2,928,375	$ 3,078,486	$ 3,144,760	$ 66,274
5020	**Total Revenues**	2,928,375	3,078,486	3,144,760	66,274
	Expenditures				
0011	Instruction	1,903,076	1,993,515	1,991,774	1,741
0013	Curriculum and instructional staff development	10,150	10,150	5,077	5,073
0023	School leadership	117,792	119,629	110,563	9,066
0041	General administration	153,265	165,776	149,648	16,128
0051	Plant maintenance and operations	543,804	478,941	371,848	107,093
6030	**Total Expenditures**	2,728,087	2,768,011	2,628,910	139,101
1200	**Net Change in Fund Balance**	200,288	310,475	515,850	205,375
0100	Beginning fund balance	(471,644)	(471,644)	(471,644)	-
3000	**Ending Fund Balance**	$ (271,356)	$ (161,169)	$ 44,206	$ 205,375

Notes to Required Supplementary Information:

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

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SUPPLEMENTARY INFORMATION

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

SCHEDULE OF EXPENSES - EXHIBIT J-2

For the Year Ended August 31, 2020

Data Control Codes	Expenses	Amount
6100	Payroll costs	$ 2,026,257
6200	Professional and contractual services	486,233
6300	Supplies and materials	124,052
6400	Other operating costs	54,376
	Total Expenses	$ 2,690,918

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
BELT HARRIS PECHACEK
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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*

October 26, 2020

To the School Board of
Sam Houston State University Charter School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 26, 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.

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AICPA GAQC Member

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

SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2020

A. SUMMARY OF AUDIT 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. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS

None Noted

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended August 31, 2020

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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SAM HOUSTON STATE UNIVERSITY CHARTER SCHOOL

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1

For the Year Ended August 31, 2020

Data Control Codes		Responses
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, Texas Workforce Commission, Internal Revenue Service, and other governmental agencies?	Yes
SF4	Was the School 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?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end?	$ -

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