

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

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**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***

Independent Auditor's Report

Board of Directors
The Texas Boys Choir, Inc.
3901 S. Hulon Street
Fort Worth, TX 76109

Members of the Board of Directors:

We have audited the financial statements of The Texas Boys Choir, Inc. (the charter holder) as of and for the year ended August 31, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Texas Boys Choir, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Texas Boys Choir, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Texas Boys Choir, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Texas Boys Choir, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 and 2007-7.

We noted certain matters that we reported to management of The Texas Boys Choir, Inc. in a separate letter dated November 9, 2007.

This report is intended solely for the information and use of management, others within the organization and federal and state awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freemon, Shapard and Story".

Freemon, Shapard, & Story
November 9, 2007

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007**

I. Summary of Auditor's Results

- | | |
|---|--------------------|
| 1. Type of auditor's report issued on the financial statements of the auditee | <u>Unqualified</u> |
| 2. Reportable conditions in internal controls disclosed by the audit of the financial statements | None |
| a. Reportable conditions that were material weaknesses | None |
| 3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements | None |
| 4. Reportable conditions in internal controls over major programs disclosed by the audit of the financial statements | |
| a. Reportable conditions that were material weaknesses | Not Applicable |
| 5. Type of auditor's report issued on compliance for major programs | Not Applicable |
| 6. Findings disclosed by the audit of the financial statements which the auditor is required to report | None |
| 7. Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2007. | |

II. Findings relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards

<u>Program</u>	<u>Finding/Noncompliance</u>
2007-1 Pledged Securities	One depository bank for the Fort Worth Academy of Fine Arts Charter School did not pledge adequate securities to cover funds on deposits in excess of the \$100,000 FDIC coverage provided throughout the year. Pledged securities and FDIC insurance were short \$50,140 at the Wells Fargo depository bank on the date of highest deposits during the year for the Charter School. North Texas Elementary School of the Arts Charter School was adequately covered by FDIC insurance throughout the year.
2007-2 Budgetary	The Fort Worth Academy of Fine Arts Charter School expenditures exceeded the final amended budget in seven functional categories for the year as per Exhibit E-1.1. The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Program Finding/Noncompliance (continue)

2007-3 The Investment Officers did not obtain the appropriate amount of training as
Investment required by the TEA.
Training

2007-4 The Business Manager did not obtain the appropriate amount of training as
Business required by the TEA. Only twelve hours of the required fifteen hours of
Manager training were obtained.
Training

2007-5 Some of the twenty board members did not obtain the appropriate amount of training as
Board required by the TEA.
Training

2007-6 The Charter School failed to spend 85% of the allotted state funding for State
State Compensatory Education programs as required. Eighty-five percent of the
Comp. State Compensatory program allotment of \$42,600 was underspent by \$625.
Education

2007-7 The Charter School failed to spend 85% of the allotted state funding for Special
Special Education programs as required. Eighty-five percent of the Special Education
Education program allotment of \$75,208 was underspent by \$5,273.

III. Findings and questioned costs for state and federal awards

None Identified.

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
2006-1: Pledged Securities	No Change	The School will work more closely with the depository banks in order to pledge adequate securities to cover funds on deposits in excess of the \$100,000 FDIC coverage provided throughout the year.
2006-2: Budgetary Control	No Change	The Charter Schools will closely monitor revenues and expenditures in order to make appropriate budget amendments when necessary.
2006-3: Investment Training	No Change	Investment Officers will be instructed to obtain the appropriate amount of training as required by the TEA.
2006-4: Board Training	No Change	All board members will be instructed to obtain adequate training as required by the TEA.

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
2007-1	Dollie Blevins (817) 924-1482	The Charter School will monitor the amount of securities pledged by the depository bank and will notify the banks when the balance is expected to increase dramatically to obtain adequate pledged security coverage.	Fiscal Year 2007-08
2007-2	Dollie Blevins (817) 924-1482	The Charter Schools will review the budget more closely throughout year and make certain it is properly amended in advance of funds being spent in the future.	Fiscal Year 2007-08
2007-3	Dollie Blevins (817) 924-1482	Investment Officers will be instructed to obtain the appropriate amount of training as required by the TEA.	Fiscal Year 2007-08
2007-4	Dollie Blevins (817) 924-1482	The business manager will be instructed to obtain the appropriate amount of training as required by the TEA.	Fiscal Year 2007-08
2007-5	Dollie Blevins (817) 924-1482	All board members will be instructed to obtain adequate training as required by the TEA.	Fiscal Year 2007-08
2007-6	Dollie Blevins (817) 924-1482	The Charter School will budget and spend the requisite 85% of State Compensatory Education allotments.	Fiscal Year 2007-08
2007-7	Dollie Blevins (817) 924-1482	The Charter School will budget and spend the requisite 85% of Special Education allotments.	Fiscal Year 2007-08