

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***

Board of Directors
The Texas Boys Choir, Inc.
3901 S. Hulen 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, 2008, and have issued our report thereon dated November 28, 2008. 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.

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 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 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 2008-1 through 2008-5.

We noted certain matters that we reported to management of The Texas Boys Choir, Inc. in a separate letter dated November 28, 2008.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and the Texas Education Agency and other federal 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 "Freeman, Shapard and Story".

Freemon, Shapard, & Story
November 28, 2008

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008**

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unqualified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies 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. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	Not Applicable
a. Significant deficiencies 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	See Below
7. Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2008.	

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

Finding 2008-1

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

The Fort Worth Academy of Fine Arts Charter School expenditures exceeded the final amended budget in three functional categories for the year as per Exhibit E-1.1. The North Texas Elementary School of the Arts Charter School expenditures exceeded the final amended budget in four functional categories for the year as per Exhibit E-1.2; however, the only material differences occurred in Function 35 and 36 in Fort Worth Academy of Fine Arts Charter School.

Effect

The expenditures exceeded the final amended budget without board approval.

Cause

Fort Worth Academy of Fine Arts Charter School did not budget for depreciation and commodities.

Recommendation

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Management Response

Fort Worth Academy of Fine Arts Charter School will include depreciation and commodities in next year's budget.

Finding 2008-2

Criteria

Experienced board members must obtain six hours of board member training every year, and new board members must obtain twelve hours of board member training their first year of service.

Condition

None of the board members received the required board member training for the 2007-08 year.

Effect

The board members may not be aware of changes and updates in charter school rules and regulations.

Cause

The board members did not attend the required board training seminars.

Recommendation

All board members must receive the required board training every year.

Management Response

The board members will be advised to receive the required board training every year.

Finding 2008-3

Criteria

Experienced finance managers must obtain fifteen hours of training every year, and new finance managers must obtain thirty hours of training their first year of service.

Condition

The finance manager did not receive the required training for the 2007-08 year.

Effect

The finance manager may not be aware of changes and updates in charter school rules and regulations.

Cause

The finance manager did not attend the required training seminars.

Recommendation

The finance manager must receive the required training every year.

Management Response

The finance manager will be advised to receive the required training every year.

Finding 2008-4

Criteria

The investment officer must obtain ten hours of investment training every two years.

Condition

The investment officer did not receive the required investment training for the 2007-08 year.

Effect

The investment officer may not be aware of changes and updates in investment policies.

Cause

The investment officer did not attend the required investment training seminars.

Recommendation

The investment officer must receive the required investment officer training every two years.

Management Response

The investment officer has already received the required investment officer training in the 2008-09 year.

Finding 2008-5*Criteria*

Depository banks must pledge adequate securities to cover funds on deposit in excess of the \$100,000 FDIC coverage.

Condition

Pledged securities were not adequate to cover the charter holder's deposits on the day of the highest daily cash balance.

Effect

Deposits not covered by pledged securities or FDIC insurance are at-risk.

Cause

Daily cash balances were not monitored carefully in order to increase necessary pledged securities as needed.

Recommendation

Daily cash balances will be monitored carefully to ensure adequate cash coverage.

Management Response

Management is monitoring daily cash balances carefully to ensure adequate cash coverage throughout the year.

III. Findings and questioned costs for state and federal awards

None Identified.

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2008**

Finding 2007-1

Criteria

The depository bank for Fort Worth Academy of Fine Arts Charter School did not pledge adequate securities to cover funds on deposit in excess of the \$100,000 FDIC coverage.

Condition

The Fort Worth Academy of Fine Arts Charter School's deposits were at-risk if they bank should fail.

Effect

The Fort Worth Academy of Fine Arts Charter School's deposits over \$100,000 covered by FDIC would be lost if the bank collapsed.

Recommendation

The depository banks should pledge securities to cover the charter holder's deposits over the \$100,000 covered by FDIC.

Management Response

The charter holder will have the depository banks pledge securities to cover the charter holder's deposits over the \$100,000 covered by FDIC.

Status

The depository banks did not pledge enough securities in the 2007-08 year to cover the charter holder's deposits.

Management's Explanation for not implementing the Recommendation

The charter holder has increased monitoring of daily cash balances and pledged securities and believes this problem has been corrected.

Finding 2007-2

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

The Fort Worth Academy of Fine Arts Charter School expenditures exceeded the final amended budget in seven functional categories.

Effect

The expenditures exceeded the final amended budget without board approval.

Recommendation

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Management Response

The charter schools will review the budget more closely throughout the year and amend the budget in advance of funds being spent.

Status

Although there was a considerable improvement in this area, there were still two material functional categories where expenditures exceeded the final amended budget.

Management's Explanation for not implementing the Recommendation

The charter schools did not budget for depreciation and commodities in the 2007-08 year. This will be corrected in the 2008-09 year.

Finding 2007-3

Criteria

The investment officer must obtain ten hours of investment training every two years.

Condition

The investment officer did not receive the required investment training for the 2006-07 year.

Effect

The investment officer may not be aware of changes and updates in investment policies.

Recommendation

The investment officer must receive the required investment officer training every two years.

Management Response

Investment officers will be instructed to obtain the appropriate amount of training as required by the TEA.

Status

The investment officers did not receive the investment officer training in the 2007-08 year.

Management's Explanation for not implementing the Recommendation

The investment officer has already received the required investment officer training in the 2008-09 year.

Finding 2007-4*Criteria*

Experienced finance managers must obtain fifteen hours of training every year, and new finance managers must obtain thirty hours of training their first year of service.

Condition

The finance manager did not receive the required training for the 2006-07 year.

Effect

The finance manager may not be aware of changes and updates in charter school rules and regulations.

Recommendation

The finance manager must receive the required training every year.

Management Response

The finance manager will be advised to receive the required training every year.

Status

The finance manager did not receive the required training in the 2007-08 year.

Management's Explanation for not implementing the Recommendation

The finance manager has already attended training sessions in the 2008-09 year.

Finding 2007-5*Criteria*

Experienced board members must obtain six hours of board member training every year, and new board members must obtain twelve hours of board member training their first year of service.

Condition

None of the board members received the required board member training for the 2006-07 year.

Effect

The board member may not be aware of changes and updates in charter school rules and regulations.

Recommendation

All board members must receive the required board training every year.

Management Response

The board members will be advised to receive the required board training every year.

Status

The board members did not receive the required board training in the 2007-08 year.

Management's Explanation for not implementing the Recommendation

The board members have been advised of the requirement but have chosen not to abide by the requirement.

Finding 2007-6

Criteria

The charter school must spend 85% of the allotted state funding for state compensatory education on state compensatory education expenditures.

Condition

The charter school failed to spend 85% of the allotted state funding for state compensatory education on state compensatory education expenditures. The state compensatory program allotment was underspent by \$625.

Effect

The at-risk students did not receive all of the funding that they were allotted.

Recommendation

85% of the allotted state funding for state compensatory education should be spent on state compensatory education expenditures.

Management Response

The charter school will budget and spend the required 85% of state compensatory education allotments on state compensatory education expenditures.

Status

The charter school corrected this in the 2007-08 year.

Management's Explanation for not implementing the Recommendation

N/A

Finding 2007-7

Criteria

The charter school must spend 85% of the allotted state funding for special education on special education expenditures.

Condition

The charter school failed to spend 85% of the allotted state funding for special education on special education expenditures. The special education program allotment was underspent by \$5,273.

Effect

The special education students did not receive all of the funding that they were allotted.

Recommendation

85% of the allotted state funding for special education should be spent on special education expenditures.

Management Response

The charter school will budget and spend the required 85% of special education allotments on special education expenditures.

Status

The charter school corrected this in the 2007-08 year.

Management's Explanation for not implementing the Recommendation

N/A

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2008**

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
2008-1	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 2008-09
2008-2	Dollie Blevins (817) 924-1482	All board members will be instructed to obtain adequate training as required by the TEA.	Fiscal Year 2008-09
2008-3	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
2008-4	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
2008-5	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