



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: June 19, 2019

Purpose: ☒ Presentation/Report ☐ Recognition ☐ Discussion/ Possible Action

☐ Closed/Executive Session ☐ Work Session ☐ Discussion Only ☐ Consent

From: Bettinae Kaiser, Chief Financial Officer

Item Title: Report on the Status of the School District's Response to the TEA Annual Financial Report Inquiry

Description:

Annual Financial Report for the period ending August 31, 2018.

Recommendation:

District Goal/Strategy:

Select a Goal or Strategy

Funding Budget Code and Amount:

CFO Approval

APPROVED BY:

SIGNATURE

DATE

Chief Officer:

cert - For Bettinae Kaiser, CFO 6/13/19

Superintendent:

May 29, 2019

#015908
3-AR18-R 01/25/2019

RESPONSE REQUIRED

Dr. Alexandro M Flores, Superintendent
South San Antonio Independent School District
5622 Ray Ellison Blvd
San Antonio, TX 78242-2214

Dear Dr. Flores:

The Financial Compliance Division at the Texas Education Agency (TEA) has reviewed the South San Antonio Independent School District's annual financial and compliance report (AFR) for the year ended August 31, 2018, in accordance with Texas Education Code §44.008(e). We have prepared the following comments for you and your school district's board of trustees to review, which requires a response with additional information, as explained below.

Independent Auditor's Comments

In the management letter, your district's auditor commented on the following:

1. IX. #1 - Journal Entry Approvals:

The District's Business Operating Manual does not require the approval of journal entries, except for adjustments to correct cash balances resulting from reconciling bank accounts. In the current year, the District implemented a new accounting system that includes an approval path for journal entries. We reviewed four (4) journal entries in the new system and noted that the approval path was used for three (3) of the four (4) entries.

2. IX. #2 - Payroll Liabilities:

Payroll liabilities for payments to the Teacher Retirement System (TRS) for the Pension and OPEB plans have not been fully reconciled. As of year-end the payroll liability balance for TRS is in excess of applicable subsequent payments by \$100,252. Per our inquiries of management, unreconciled differences appear to pertain to transactions which occurred in 2015.

Financial Compliance Division Comments

1. Note III.G.1, page 40, of the notes to the financial statements does not disclose the interest rate for the Capital Appreciation Bonds Series 2014 and 2011. Disclosure of the interest rate is required by the Financial Accountability System Resource Guide and must comply with Texas Government Code, §1204.006. **Please have your district's auditor provide an explanation to the Financial Compliance Division.**
2. The TEA has assigned a monitor to the district on November 2, 2018. Your district's independent auditor should review correspondence between the district, the monitor, and the agency to determine the scope of future audits.

South San Antonio Independent School District
RE: 2017–2018 AFR
May 29, 2019

3. We note that your district reported a deficit in unrestricted and a total deficit net position on the Statement of Net Position (Exhibit A-1). We also note that during fiscal year 2018, the District adopted *Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume its proportionate share of the Net Other Postemployment Benefits (OPEB) Liability of the Teacher Retirement System of Texas and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan in the Statement of Net Position. Adoption of GASB 75 required a prior period adjustment of (\$61,697,522) to report the effect of GASB 75 retroactively. Furthermore, as a result of recognizing the Net OPEB liability, the District ended the fiscal year with a deficit in unrestricted net position in the amount of \$40,408,731 and/or a total deficit net position of \$28,240,741.
4. The AFR (Note S, page 59) states that the YMCA Grant Fund reports a deficit fund balance of \$2,995, similarly the Print Shop internal service fund reports a deficit unrestricted net position of \$85,212. Your district should take corrective measures to eliminate these deficits. A similar comment was noted in the 2017 and 2016 AFR review letters.

To view a copy of the district's AFR submitted to TEA, refer to the website located at <https://tea4avwaylon.tea.state.tx.us/audit/PDFviewer.asp>

Please upload responses to this letter through the AUDIT application in the Texas Education Agency Login (TEAL). The district's response should be uploaded under the section titled "Signed Pages of Annual Financial and Compliance Report (PDF)" and named using the six-digit county district number, followed by "DR" (for District's Response), and then followed by a single digit for the fiscal year (for example, 999999DR8). Also, upload corrected AFRs or corrected pages through the AUDIT application in TEAL under the section titled "Annual Financial and Compliance Report (PDF)".

Your district must provide the requested information within 30 calendar days of the date of this letter. We will consider our review of the AFR closed upon our receipt of the information requested. Please note that even after the review is closed, your district's AFR and auditor's working papers remain subject to review by appropriate state and federal agency officials.

We thank you and your auditor for your diligence and cooperation in completing the AFR. Please contact Larry Simank at larry.simank@tea.texas.gov or (512) 936-6981 for questions.

Sincerely,

Paul Moreno
Financial Desk Reviews Manager
Financial Compliance Division

PM/ls.

cc: Mrs. Angelina Osteguín, Board President, South San Antonio Independent School District
Mr. JC Zamora, Chief Financial Officer, South San Antonio Independent School District
Garza/Gonzalez & Associates
Laurie Elliott, Monitor
Jason Hewitt, Director of Governance & Investigations, TEA

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2019

Dr. Alexandro M. Flores, Superintendent
South San Antonio Independent School District
5622 Ray Ellison Blvd
San Antonio, Texas 78242-2214

Dear Dr. Flores:

We received a copy of a letter dated May 29, 2019 from the Financial Compliance Division at the Texas Education Agency regarding the desk review of the South San Antonio Independent School District's Annual Financial Report for the year ended August 31, 2018. The letter includes the following paragraph:

Financial Compliance Division Comments:

1. Note page 40, of the notes to the financial statements does not disclose the interest rate for the Capital Appreciation Bonds Series 2014 and 2011. Disclosure of the interest rate is required by the Financial Accountability System Resource Guide and must comply with Texas Government Code, §1204.006. **Please have your districts auditor provide an explanation to the Financial Compliance Division.**

Attached please find a revised Note III.G.1. Long Term Obligation Activity (page 40) that discloses the interest rate for the Capital Appreciation Bonds Series 2014 and 2011. The District should ensure that future similar footnotes include the interest rate.

Please include this letter and the attached revised footnote as part of the District's response.

Let us know if you have any questions

Sincerely,



Eli Mendoza, CPA
Partner

cc: Ms. Bettinae Kaiser
Chief Financial Officer
South San Antonio Independent School District

SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations

1. Long-Term Obligation Activity

Description	Original Issue Amount	Final Maturity	Interest Rate Payable	Amount Outstanding 09/01/17	Issued	Retired	Amount Outstanding 08/31/18
Unlimited Tax School Building Bonds:							
Series 2005	\$ 40,500,000	2022	3.25 - 5%	\$ 7,510,000	\$ -	\$ -	\$ 7,510,000
Series 2010- BA	26,095,000	2027	4.607-5.29%	26,095,000	-	-	26,095,000
Unlimited Tax Qualified School Construction Bonds							
Series 2010	9,785,000	2027	5.19%	9,785,000	-	-	9,785,000
Unlimited Tax School Refunding Bonds:							
Series 2010	23,475,000	2029	4 - 5%	15,745,000	-	(3,200,000)	12,545,000
Series 2011	8,680,000	2028	3-3.6%	8,450,000	-	(130,000)	8,320,000
Series 2012	8,390,000	2032	3-3.5%	8,390,000	-	-	8,390,000
Series 2012A	24,815,000	2029	3 -4.25%	19,155,000	-	(1,310,000)	17,845,000
Series 2012B	4,245,000	2017	4.25%	2,165,000	-	(2,165,000)	-
Series 2013	18,465,000	2035	2 -5%	18,465,000	-	-	18,465,000
Series 2014	25,835,000	2034	4.-5%	25,380,000	-	-	25,380,000
Total Bonds Issued				141,140,000	-	(6,805,000)	134,335,000
Capital Appreciation Bonds:							
Series 2010	22,116,909	2035	3.25 – 5.02%	22,116,909	-	-	22,116,909
Series 2014	455,000	2022	2.44%	130,000	-	-	130,000
Series 2011	4,990	2023	3.50%	4,990	-	-	4,990
Total Capital Appreciation Bonds				22,251,899	-	-	22,251,899
Grand Total				\$ 163,391,899	\$ -	\$ (6,805,000)	\$ 156,586,899