

May 2, 2019

#099903
2-AR18-R 11/8/2018

Ms. Melissa Sulak, Superintendent
Quanah Independent School District
P O Box 150
Quanah, TX 79252-0150

Dear Ms. Sulak:

The Financial Compliance Division at the Texas Education Agency (TEA) has reviewed the Quanah 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.

Financial Compliance Division Comments

1. The following issues were noted in the data feed submission.
 - a. Schedule K-1 data feed submission did not include National School Lunch Program - Non-cash (U.S. Department of Agriculture CFDA #10.555) in the amount of \$21,570 as listed on Exhibit K-1, PDF, page 64, which led to a discrepancy between the data feed submission and pdf.
 - b. Per the Annual Financial Report Data Feed Standards for Schedule C1R - Reconciliation between Exhibit C1 and A1, page 22, step 1, "Do not enter the Total Fund Equity amount from Exhibit C1 as the first figure on this exhibit."

However, Schedule C1R data feed submission in Data Code line 1, included Total Fund Balance – Total Governmental Funds (account 3000) of \$4,869,909 which resulted in an error edit.

The consistency of the data feed with the annual financial report is essential. Each data feed schedule should be reviewed by school personnel and any incorrect or missing data should be entered before finalizing the data feed submission. Since the data feed has been finalized, no further actions are required at this time.

2. Per Texas Education Agency Updates for Governmental Accounting Standards Board (GASB) Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions dated July 17, 2018, beginning with the fiscal year 2018 AFR submission, the OPEB Liability should be reported independently by using data code 2545 on Exhibit A-1 in the data feed submission. Data feed submission reported the OPEB liability correctly; however, the data control code 2541 was used in the Statement of Net Position (Exhibit A-1 pdf, page 14), for net OPEB liability. The proper code for such transactions should be 2545.

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3. In accordance with Governmental Accounting Standards Board (GASB) Statement 24, districts must disclose in the notes to the financial statements the amounts recognized for on-behalf payments (Medicare Part D) for fringe benefits and salaries. For on-behalf payments that are contributions to any pension plan, a district should disclose the name of the plan that covers its employees and the name of the entity that makes the contributions. More information is available online at the Teachers Retirement System of Texas website, under Reporting Entities GASB Statement 24.
4. The Budgetary Comparison Schedule—Budget to Actual—General Fund (Exhibit G-1, page 46-47) indicates that expenditures exceeded the budget in one function of the general fund, but in accordance with Texas Education Code (TEC) §44.006, expenditures from governmental fund types cannot be made without authority of appropriation.
5. The Note H.4., page 35, of the notes to the financial statements concerning the Teacher Retirement System (TRS) pension plan did not include the fiscal year 2018 (reporting period of the audit) contribution amounts for the employer, member and Non-Employer Contributing Entity (NECE) on-behalf contributions as required by Governmental Accounting Standards Board (GASB) Statement 68 paragraph 76(c).
6. The Note I.4., page 39, of the notes to the financial statements concerning the Other Post-Employment Benefit (OPEB) Plan did not include the fiscal year 2018 (reporting period of the audit) contribution amounts for the employer, member and Non-Employer Contributing Entity (NECE) on-behalf contributions as required by Governmental Accounting Standards Board (GASB) Statement 75 paragraph 91(c).

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>

Although your district's AFR and working papers of the auditor remain subject to review by appropriate state and federal agency officials, we consider the AFR review closed.

We thank you and your auditor for your diligence and cooperation in completing the AFR. Please contact Alma Obregon at alma.obregon@tea.texas.gov or (512) 475-1993 for questions.

Sincerely,

Paul Moreno
Financial Desk Reviews Manager
Financial Compliance Division

PM/ao.

cc: Steven Sparkman, Board President, Quanah Independent School District
Jana Brandon, Chief Financial Officer, Quanah Independent School District
Edgin, Parkman, Fleming & Fleming, PC