



Board of Trustees  
South San Independent School District  
San Antonio, Texas 78242

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South San Antonio Independent School District (the District) for the year ended August 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Governmental Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. As described in Note 1 to the financial statements, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Accordingly, the cumulative effect of the accounting change is reported on the Statement of Net Position and the Statement of Activities. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the net position liability, deferred inflow and outflow related to the Texas Retirement System (TRS), state foundation receivable and related revenue, depreciation, and the allowance for uncollectible tax receivable. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of the restatement of net position in **Note 14** related to the District's Net Pension Liability of TRS.

## Difficulties Encountered in Performing the Audit

Due to departure of the director of finance at the start of the audit period and the finance department's commitment to provide a corrective action response to the Texas Education Agency regarding recent findings, there were delays in providing us information to conduct the audit during the scheduled periods. After the corrective action plan was drafted the District did address all of our requests for information.

## Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

## Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 25, 2016.

## Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Matters

We applied certain limited procedures to Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements and schedules, the schedules required by Texas Education Agency, and the schedule of federal expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### Other Comment

##### *Public Funds Investment Act*

The Public Funds Investment Act (the Act) requires that we include, as part of our audit, procedures to determine if the District complied with the provisions of the Act. We found, as a result of our tests, that the District complied, in all material respects, with the provisions of the Act.

#### Comments and Recommendations Regarding the Internal Control Structure and Operations

##### *Reconciliations of Accounts*

During our audit we noted that several of the District's accounts were not reconciled on timely manner and were not reviewed by District personnel until audit inquiries were made regarding the balances. These included payroll accruals, student activity/campus activity fund bank reconciliations, state revenues and receivables, worker's compensation, and investment accounts with Wells Fargo.

We recommend that the District develop and implement proper closing procedures to timely review and reconcile all accounts to supporting information.

##### *Teacher Stipend*

During our audit we noted a number of teachers receiving federal stipends who were not being charged to the federal program. The payment of stipends to those individuals does not appear to be an allowable cost.

We recommend the District carefully review all payroll charges to Federal and State restricted funds and verify that those individuals are allowed to be paid from those funds.

#### Restriction on Use

The information is intended solely for the use of the Board of Trustees and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of South San Independent School District during the course of our audit.

# **DRAFT**

Certified Public Accountants  
San Antonio, Texas  
January 25, 2016