

# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

## **UVALDE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT** Uvalde, Texas

### **REPORT ON CONDUCT OF AUDIT**

For the Year Ended August 31, 2023

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Trustees  
Uvalde Consolidated Independent School District  
Uvalde, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Uvalde Consolidated Independent School District (the District) for the year ended August 31, 2023.

Professional standards require that we provide you with the following information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, and that we also communicate to you other information related to our audit. Our responsibilities and other information are provided in Parts I-VIII. Other matters are reported in Part IX and Non-Compliance with State requirements are reported in Part X. The comments and recommendations have been discussed with management and are intended to improve internal control and compliance with State laws.

This letter does not affect our report dated January 5, 2024 on the financial statements of the District.

This report is intended solely for the use of the Board of School 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 by the personnel of the District during the course of our audit.



January 5, 2024

UVALDE CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
Uvalde, Texas

REPORT ON CONDUCT OF AUDIT

For The Year Ended August 31, 2023

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**I. The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance**

As stated in our engagement letter dated January 31, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurances on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District'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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

## II. Qualitative Aspects of Accounting Practices

### *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 A to the financial statements. During the year, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription -Based Information Technology Arrangements (SBITA's)*, which establishes a single model for accounting of the SBITAs based on the foundational principle that SBITAs are financings of the right to use the underlying software services.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance. 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 were State Foundation School Program (FSP) funding and the net pension and OPEB liability. Following are the various estimates and the basis used by management for such estimates:

- Depreciation expense is based on estimated useful lives of the respective capital asset class
- Bond premiums, are amortized over the life of the respective bond
- Allowance for uncollectible taxes are based on historical data and is estimated at ten (10) percent of the taxes receivable
- Worker's compensation liability is estimated by a consultant and reviewed by the District.
- FSP funding is computed using various data elements; to include, student attendance projections and estimated taxable property values
- Net pension liability and OPEB liability are based on the actuarially determined amounts as of the valuation date, adjusted for activity subsequent to the valuation date through the financial statement date.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

The financial statement disclosures, as included in the financial statements, are neutral, consistent, and clear.

### **III. Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **IV. Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The significant audit adjustments necessary to correct misstatements were as follows:

- Adjustment to reduce state foundation revenues and increase amounts due to state in the general fund by \$414,365.
- Adjustment to increase state grant revenue and operating transfers in the special revenue fund by \$948,500. An offsetting adjustment was also required to decrease federal revenues in the general fund and increase operating transfers.
- Adjustment to record the initial value of subscription-based information technology arrangement assets and related proceeds from right to use leased assets by \$269,708.

We also assisted the District with adjustments to convert the fund financial statements to entity-wide financial statements and to classify fund balances/net position in accordance with GASB standards.

### **V. Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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.

### **VI. Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 5, 2024.

### **VII. 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" in certain situations. If a consultation involves the 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.

## VIII. Other Issues

### *Matters Discussed with Management Prior to Reappointment*

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 reappointment.

### *Required Supplementary Information*

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information for the general fund, schedule of District's proportionate share of net pension liability, and the schedule of District pension contributions, which are, 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 responses 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 did not express an opinion or provide any assurance on the RSI.

### *Supplementary Information*

With respect to the required Texas Education Agency (TEA) schedules, combining statements, statistical section, schedule of expenditures of federal awards, and other supplementary information accompanying the financial statements as listed in the District's Annual Financial Report's table of contents, 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. We found no exceptions to the supplementary information.

### *Other Information in Documents Containing the Audited Financial Statements*

We are not aware of any other documents that contain the audited financial statements and the auditor's report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

## **IX. Other Matters**

### **New Elementary School Construction Memorandum of Understanding**

During the year, the district received a post-disaster grant award totaling \$15,000,000 from the Texas Education Agency to use for the planning and construction of a new elementary school. The District disbursed \$13,311,837 of this award in August 2023, to the Uvalde Moving Forward Foundation (the foundation). Program guidelines in connection with this grant award that the District must adhere to are as follows:

1. The applicant will ensure all procurements follow Texas Education Code (TEC) §44.031 and Financial Accountability System Resource Guide (FASRG).
2. The applicant will ensure proper documentation of all expenditures under the grant.
3. The applicant will provide TEA with quarterly expenditure reports and updates on the planning and construction process to reflect progress and activities completed.

We understand that memorandum of understanding has not been prepared between the District and the foundation to ensure all statutory and requirements outlined by TEA are communicated and adhered to.

To ensure compliance with the above requirements, we recommend the District execute a formal memorandum of understanding with the Foundation.

## **X. Non-Compliance with State Requirements**

### **Budget Compliance**

State law requires the district to amend the budget *before* exceeding a *functional expenditure category*, i.e., instruction, administration, etc. At August 31, 2023, actual expenditures exceeded the final amended General Fund budget in the following functions:

#### **General Fund:**

- 11 Instruction by \$1,404,419
- 21 Instructional Leadership by \$64,363
- 31 Guidance, Counseling, and Evaluation services by \$44,063
- 36 Extracurricular Activities by \$95,535
- 53 Data Processing Services by \$123,565
- 71 Debt Service by \$114,913

We recommend that the District monitor its budget to ensure that budgeted expenditures are not exceeded, prior to amending the budget, in accordance with State law.