

TENNESSEE STATE SCHOOL BOND AUTHORITY
AUDIT COMMITTEE MEETING AGENDA
June 25, 2020 - 3:00 PM

1. Call Meeting to Order
2. Statement regarding exclusion of public from being physically present
3. Approval of Minutes from June 27, 2019**
4. Review and Approval of Management's Risk Assessment as of 12/31/2019**
 - Thad DelConte – Internal Audit Director, Finance and Administration
5. Review of Audit Results
 - Derek Martin – Audit Manager, Division of State Audit
 - *17th consecutive year with zero audit findings*
 - *TSSBA again received the Certificate of Achievement for Excellence in Financial Reporting*
6. Outstanding Qualified Zone Academy Bond Issues
 - Sandra Thompson – Director, Office of State and Local Finance
7. Other Business
8. Adjourn

TENNESSEE STATE SCHOOL BOND AUTHORITY
Audit Committee Meeting Minutes
June 27, 2019

The Tennessee State School Bond Authority (TSSBA) Audit Committee met at 10:50am CDT Thursday, June 27, 2019 in House Hearing Room II at the Cordell Hull Building in Nashville, Tennessee.

The following members were physically present:

Commissioner Stuart McWhorter, Chairman, Department of Finance & Administration
Honorable Tre Hargett, Secretary of State
Vice Chancellor Danny Gibbs, Designee for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents
Dr. Tonjanita Johnson, UT EVP and COO, Designee for Randy Boyd, President, University of Tennessee

Recognizing a quorum physically present, Chairman McWhorter called the meeting to order at 10:50am.

Chairman McWhorter presented the minutes from the prior audit committee meeting conducted on May 16, 2018 for approval. A motion to approve was made by Secretary Hargett and seconded by Dr. Johnson. No comments or corrections were raised. A voice vote was taken and the motion passed unanimously.

Chairman McWhorter moved to agenda item number two, review and approval of management's risk assessment documents. Chairman McWhorter asked Thad DelConte, Director of Internal Audit, Finance and Administration and TSSBA Audit Committee Secretary, to present the assessment to the Committee. Mr. DelConte stated that the risk assessment is for the entire Office of State and Local Finance (OSLF), which includes the TSSBA. He went on to say that it appears thorough and complete, follows the approach and uses the format recommended in guidance prepared by the Comptroller's Office and F&A's Division of Accounts. Control activities are properly documented and tested, and testing steps executed by OSLF are also documented in the assessment. The results indicate that controls are operating effectively to reduce risk to an acceptable level. Mr. DelConte then offered to answer any questions the committee might have. There being no questions or discussion, Chairman McWhorter requested a motion for approval of the risk assessment. A motion to approve was made by Secretary Hargett and seconded by Dr. Johnson. A voice vote was taken and the motion passed unanimously.

Chairman McWhorter then asked Mr. Derek Martin, Audit Manager, Comptroller of the Treasury, Division of State Audit to update the committee on recent audit results. Mr. Derek Martin informed the committee that the audit for the year ended 6/30/18 was completed and there were no findings. He also informed the committee that the CAFR audit report was released with a clean opinion. Chairman McWhorter informed the Committee that the state audit report contained no findings for the 16th consecutive year.

After asking the committee whether any additional items needed to be brought before the committee and hearing none, Secretary Hargett made a motion to adjourn the meeting and it was seconded by Dr. Johnson. A voice vote was taken and the motion passed unanimously. Meeting adjourned at 10:55am.

Approved on this ____ day of _____, 2020.

Respectfully submitted,

Thad DelConte
Secretary, Department of Finance and Administration



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Tennessee State School Bond Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee State School Bond Authority, a component unit of the State of Tennessee, as of and for the years ended June 30, 2019, and June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Authority.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee State School Bond Authority as of June 30, 2019, and June 30, 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tennessee State School Bond Authority's basic financial statements. The accompanying financial information on pages 30 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Tennessee State School Bond Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts (including the bond resolutions) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tennessee State School Bond Authority's internal control over financial reporting and compliance.



Deborah V. Loveless, CPA, Director
Division of State Audit
December 13, 2019