

TENNESSEE STATE SCHOOL BOND AUTHORITY
AUDIT COMMITTEE MEETING AGENDA
June 15, 2021 - 2:00 PM

1. Call Meeting to Order
2. Approval of Minutes from June 25, 2020**
3. Review and Approval of Management's Risk Assessment as of 12/31/2020**
 - Thad DelConte – Internal Audit Director, Finance and Administration
4. Review of Audit Results
 - Michael Campbell – Audit Manager, Division of State Audit
 - *18th consecutive year with zero audit findings*
5. Update on Qualified Zone Academy Bonds
 - Sandi Thompson – Director, Division of State Government Finance
6. Opportunity for Public Comment
7. Other Business
8. Adjourn

** - *Items marked with asterisks require action by the Committee*

TENNESSEE STATE SCHOOL BOND AUTHORITY
Audit Committee Meeting Minutes
June 25, 2020

The Tennessee State School Bond Authority (TSSBA) Audit Committee met at 3pm CDT Thursday, June 25, 2020 in the Volunteer Conference Center on the second floor of the Cordell Hull Building in Nashville, Tennessee as well as online via Webex. Members of the public were not allowed in the Cordell Hull Building at the time of the meeting due to the COVID-19 pandemic, but could observe the meeting online via Webex.

The following members were physically present:

Commissioner Butch Eley, Chairman, Department of Finance & Administration
Dick Tracy, Designee for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following members participated online via Webex:

Honorable Tre Hargett, Secretary of State
Mark Paganelli, Designee for Randy Boyd, President, University of Tennessee

Chairman Eley called the meeting to order at 3:02pm and asked the Secretary to call the roll and confirm that those members participating virtually could hear the other members clearly and have the meeting materials, and ask whether anyone else was observing the meeting with them from their location. Secretary Hargett and Mr. Paganelli, both participating virtually, confirmed they could hear us, had the materials, and nobody was observing the meeting with them.

Chairman Eley then read a statement establishing a necessity to hold this meeting without a physical quorum or physical access by the public, but with online access by the public via Webex. A motion to approve the necessity was made by Dick Tracy and seconded by Secretary Hargett. No additional discussion took place and the motion passed unanimously via roll call vote.

Chairman Eley then presented the minutes from the prior audit committee meeting conducted on June 27, 2019 for approval. A motion to approve was made by Dick Tracy and seconded by Secretary Hargett. No comments or corrections were raised. A roll call vote was taken and the motion passed unanimously.

Chairman Eley moved to the next agenda item, review and approval of management's risk assessment. Chairman Eley 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 provided through F&A's Division of Accounts. Control activities are properly documented and tested when necessary based on the severity of the risk. 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. Chairman Eley asked for a motion to approve, provided by Dick Tracy, and a second, provided by Secretary Hargett, and then opened it up for questions. There being no questions or discussion, Chairman Eley asked the Secretary to call the roll. A roll call vote was taken and the motion passed unanimously.

Chairman Eley then asked Derek Martin, Audit Manager, Comptroller of the Treasury, Division of State Audit to update the committee on recent audit results. Derek Martin informed the committee that the audit for the year ended 6/30/19 was successfully completed with no findings, an unmodified opinion was issued, and again it was in time for the TSSBA to get the GFOA Certificate for Excellence in Financial Reporting. Mr. Martin also stated that they issued a separate letter regarding any internal control deficiencies, violations of laws, regulations, grant agreements, or bond resolutions and had no findings in those areas either. Chairman Eley noted that no action was required for this agenda item, informed the Committee that the audit report contained no findings for the 17th consecutive year and congratulated the TSSBA on that achievement and on receiving the GFOA Certificate for Excellence in Financial Reporting before moving to the next agenda item.

Chairman Eley then asked Sandi Thompson to update the Committee on outstanding qualified zone academy bonds. Ms. Thompson stated that two series of qualified zone academy bonds, a 2004 series and a 2005 series, will mature on November 24, 2020 and December 28, 2020, respectively, and will no longer be outstanding when the Committee meets again in 2021.

Chairman Eley asked the members whether any additional items needed to be brought before the committee. Mark Paganelli echoed the Chairman's comments and congratulated Sandi and her staff on 17 years with no audit findings. Chairman Eley thanked Mr. Paganelli for his comments, sent the Committee's regards to President Boyd and requested a motion to adjourn, provided by Dick Tracy and seconded by Chairman Eley. A roll call vote was taken and the motion passed unanimously. Meeting adjourned at 3:13pm.

Approved on this ____ day of _____, 2021.

Respectfully submitted,

Thad DelConte
Secretary



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, 2020, and June 30, 2019, 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 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, 2020, and June 30, 2019, 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, as listed in the table of contents, 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 listed as supplementary information in the table of contents 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 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 introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, 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, 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.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 10, 2020

Tennessee State School Bond Authority
Qualified Zone Academy Bond Program

Program Debt Outstanding

<u>Bond Issue</u>	<u>Par Amount Outstanding</u>	<u>Maturity Date</u>
QZAB Series 2004	\$12,600,000	November 24, 2020
QZAB Series 2005	\$17,545,000	December 28, 2020