

TO: Jeffrey P. Simons, Superintendent of Schools  
FROM: Larry Edson, Assistant Superintendent for School Business  
Finance  
DATE: October 2, 2019  
RE: **2018-2019 Audit Report & Financial Statements**

Enclosed for your review are the following 2018-2019 audit reports prepared by Bonadio & Co, LLP, District appointed independent auditors:

- 1) Financial Statements and Required Reports Under Uniform Guidance Together With Independent Auditor's Report
- 2) Extraclassroom Activity Funds Statements Together With Independent Auditor's Report
- 3) Required Communications Letter
- 4) Internal Control Matters Letter (not issued this year since the auditing firm does not have any recommendations)

An independent audit is required of all New York State school districts in accordance with Regulations of the Commissioner of Education. Annually, the District appoints an independent auditing firm to perform those duties. Bonadio & Co., LLP has completed the audit in the fourth year of the five-year Request for Proposal (RFP) period.

Alan Walther, Audit Shareholder, or his designee is expected to be in attendance at the October 16, 2019 Board of Education meeting to present the audit reports and findings. He will also answer any questions you may have regarding the audit process.

If you have questions as you review the audit reports, please feel free to call me in Central Administration or speak with Linda Wager, Accounting Supervisor. Note that the draft financial statements were presented to the Finance & Audit Committee on September 26, 2019 as required by the Comptroller's Five-Point Plan.

#### RESOLUTION

Resolved, the Board of Education of the East Greenbush Central School District accepts the audit reports for the year ended June 30, 2019 as prepared and presented by Bonadio & Company, LLP, independent auditors.

Motion by: Ms. Skumurski Seconded by: Mr. Dunn  
Vote: Ayes 0 Nays 0 Abstentions 0

TO: Jeffrey P. Simons, Superintendent of Schools  
FROM: Larry Edson, Assistant Superintendent for School Business  
Finance  
DATE: October 2, 2019  
RE: **2018-2019 Audit Report – Review of Financial Statements**

Education Law and Regulations of the Commissioner require that school districts obtain an independent audit by an outside certified public accountant or public accountant. This requirement is further outlined in Board Policy #6600, Fiscal Accounting and Reporting.

The purpose of the external independent audit is to express an opinion on whether the financial statements fairly present, in all material respects, the financial position and the results of operations in accordance with generally accepted accounting principles. (Reference Document for Audits of Financial Statements of New York State School Districts, 2019)

The independent auditor, Bonadio & Co., LLP, was chosen by the Board of Education using a Request for Proposal (RFP) process for obtaining professional services. The current Request for Proposal, approved at the January 13, 2016 Board meeting, is a five-year engagement, which began with the audit for the year ended June 30, 2016. A new RFP will be issued in November or December 2020 to select a new independent auditor for the next five-year cycle. Note the independent auditor is a required appointment by the Board of Education as part of each annual organizational meeting in July.

Bonadio & Co., LLP, conducted certain audit transaction tests of accounts payable and payroll transactions prior to June 30. Subsequently, once the year ended, they returned to review year-end balances and other types of transactions in August. Once Bonadio & Co., LLP, completed their fieldwork, they began compiling the information for the financial statements.

Accordingly, the following reports have been issued for the year ended June 30, 2019:

- A) Required Communications Letter
- B) Financial Statements and Required Reports Under Uniform Guidance Together with Independent Auditor's Report
- C) Extraclassroom Activity Funds Statements Together with Independent Auditor's Report
- D) Internal Control Matters Letter (not issued this year since the auditing firm does not have any recommendations)

### Required Communications Letter

The required communications letter is required under auditing professional standards to disclose:

- 1) Significant Audit Findings & Accounting Estimates
- 2) Financial Statement Disclosures (neutral, consistent and clear)
- 3) Difficulties Encountered in Performing the Audit (none)
- 4) Corrected and Uncorrected Misstatements (none)
- 5) Disagreements with Management (none)
- 6) Management Representations (complete)
- 7) Management Consultations with Other Independent Accountants (none)
- 8) Other Audit Findings or Issues (none)
- 9) Other Matters

Under significant audit findings, the auditor comments that no new accounting policies were adopted and the application of existing policies was not changed during 2019 (the year ending June 30, 2019).

There were no difficulties encountered in performing the audit, uncorrected misstatements, disagreements with management, management consultations with other independent accountants, or other audit findings or issues noted.

Nothing else noted in the letter is of significant concern to the reader.

### Financial Statements and Required Reports Under Uniform Guidance

The information provided within the financial statement reports is similar to prior years' reports. Classifications of fund balance are reflected in accordance with Board of Education policy #6245 and GASB Statement No. 54. The statements reflect GASB Statements No. 68 and No. 71 related to pension plan reporting, No. 77 related to tax abatement disclosures and No. 75 related to postemployment benefits other than pensions.

The Independent Auditor's Report (following the Table of Contents) is the result of the auditor's conduct of tests of transactions during the audit. Based on their testing, they note the financial statements "present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Greenbush Central School District as of June 30, 2019." This opinion is an unmodified opinion, important for future bond rating of the financial condition of the District.

Management Discussion & Analysis (pages 4 to 13) is designed to provide an overview of financial operations and changes from the prior year in an easy to read format. The format is not prescribed; however, the presentation of management discussion and analysis is in the style suggested by the State Education Department. Of particular interest on page 8 is the decrease in total net position, due to the effects of recognizing other postemployment benefits as well as the effects of ERS and TRS proportionate assets, deferred outflows, liabilities, and deferred inflows. Note the graphs on page 9 highlight the major sources of revenue (property taxes, state aid) and expenditures (instruction, transportation) in the District. Page 11 highlights a \$134,336 loss in the school lunch fund prior to interfund transfer and reasons for revenue and expenditure variances. Page 12 shows positive variances in revenue and expenditures amounts for the year. Also note the supplemental schedule on page 55 which indicates the District's unassigned fund balance at year-end is below the 4% maximum level set by New York State.

The Financial Statements (pages 14 - 21) are a summary of financial activities, both during the fiscal year 2018-2019 and at year-end June 30, 2019. The Statement of Net Position (page 14) and Statement of Activities (page 15) are presented for compliance with GASB Statement #34. These statements are designed to provide additional information to the reader for results of government financial operations. The balance sheet for government funds (pages 16-17) indicates the District has \$3,735,149 of unassigned fund balance at year-end. This amount is within the 4% budgetary limit prescribed by law. The amount designated for tax levy reduction is set at \$6,829,322 consistent with the tax levy adopted by the Board in August. The restricted reserves portion of the fund balance (page 17) is consistent with the reserve plan adopted by the Board in September. The statement on page 19 shows the school food service operation has an ending fund balance of \$23,374 and an operating loss of \$134,336 prior to the operating transfer of \$165,000.

Notes to Financial Statements (pages 22 -49) explain in greater detail the types of accounting procedures, policies, and restrictions that are all part of the District's financial operations. The notes also detail different assets and liabilities, such as long-term debt on pages 36 -37, to provide further explanation. The notes section has been significantly expanded related to pension plan reporting from the implementation of GASB Statements No. 68 and No. 71. It is further expanded relating to postemployment benefits other than pensions related to implementation of GASB Statement No. 75.

Supplementary Information (pages 50 -57) contains a schedule on page 55 to ensure that the ending unassigned fund balance is within the 4% maximum limitation set by law. Other supplementary schedules contain revenue and expenditure amounts comparative to budget, changes to the budget, and summarize capital project activity. Recall that the adopted budget changes

based on bus purchases, acceptance of donations, Pepsi money, and E-rate funding that are not anticipated at the time of budget preparation.

Required Reports under Uniform Guidance (pages 58 -66) relate to the auditor's testing of grant funds received from the federal government. Due to the amount of grant funds awarded, the federal government requires the auditors to perform transaction testing, review internal control procedures, and express an opinion-related to compliance with grant requirements and restrictions. Last year in 2017-2018, after testing was completed, the auditor recommended that closer attention should be given to the free and reduced meals application process. During 2018-2019, the treasurer compared an annual eligibility report to the physical applications. In 2019-2020, the Food Service Clerk will enter the applications and the Food Service Manager will review and approve. The finding was not repeated by the auditor for 2018-2019.

#### Extraclassroom Activity Funds Statements

The extraclassroom activity funds statements represent the financial operations of clubs and activities at the High School and Middle School. The Board of Education has oversight responsibility for these student funds, and Karen Bauer served as treasurer for the 2018-2019 fiscal year.

The opinion expressed by the auditors is an unmodified opinion. The auditor has saw improvement in club accounting operations, training, and the work of the Appendix D Committee in 2018-2019. The unmodified opinion is a significant accomplishment for the District, and Ms. Bauer, Ms. Wager, and the advisors should be congratulated.

#### Internal Control Matters Letter

The auditor makes recommendations to the Board of Education, which in their opinion, will strengthen the procedures and controls within the financial operations of the district. The Internal Control Matters Letter is not a "report card" on financial operations; it is a summary of suggestions that will assist us in managing finances within the District. No internal control matters letter was issued for 2018-2019.

If you have any questions, please contact me in Central Office.