

TO: Jeffrey P. Simons, Superintendent of Schools
FROM: Linda F. Wager, Director of Business and Finance
DATE: October 20, 2021
RE: **2020-2021 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 present fairly, in all material respects, the financial position and the results of operations in accordance with generally accepted accounting principles.

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 Request for Proposal, approved at the January 13, 2016 Board meeting, was a five-year engagement, which began with the audit for the year ended June 30, 2016. The Board of Education approved a one-year extension on May 26, 2021. A new RFP will be issued in December 2021 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. Subsequent to the year end, they reviewed 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, 2021:

- 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

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 commented that during fiscal 2021, the District adopted GASB 84 – Fiduciary Activities. This statement establishes specific criteria for identifying and reporting fiduciary activities. Further details are provided in Note 15 to the financial statements.

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 continue to reflect GASB Statements No. 68 and No. 71 related to pension plan reporting, No. 77 related to tax abatement disclosures, No. 75 related to postemployment benefits other than pensions as well as No. 84 related to fiduciary activities.

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, 2021." 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, which is primarily due to the effects of recognizing other postemployment benefits. The graphs on page 9 highlight the major sources of revenue (property taxes, state aid) and expenditures (instruction, transportation and general support) in the District. Page 11, shows positive variances in revenue and expenditure amounts for the year. Please note the supplemental schedule on page 56 indicates the District's unassigned fund balance at year-end is above the 4% maximum level set by New York State by approximately 1.06%. I intend to speak to the Board of Education about establishing a 2022 Capital Reserve which will help to defray the cost of construction in future capital projects.

The Financial Statements (pages 14 - 20) are a summary of financial activities, both during the fiscal year 2020-2021 and at year-end June 30, 2021. 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 \$5,238,758 of unassigned fund balance at year-end. 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. The statement on page 18 shows the school food service operation has an ending fund balance of (\$454,020) and an operating loss of \$283,922.

Notes to Financial Statements (pages 21 - 50) 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 35 -36, 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 as well as accounting for fiduciary activities upon implementing GASB 84.

Supplementary Information (pages 51 - 58) contain schedules reporting revenue and expenditure amounts compared to budget, changes to the budget, as well as a summary of 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 59 -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.

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 2020-2021 fiscal year.

The opinion expressed by the auditors is an unmodified opinion. The unmodified opinion is a significant accomplishment for the District, and Ms. Bauer, and the advisors should be commended for this.

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 2020-2021.

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