

# KING PHILIP REGIONAL SCHOOL DISTRICT

## School Committee Presentation

### Summary of Financial Statement Audit – Year Ended June 30, 2020

April 5, 2021

#### **Financial statement audit's purpose:**

- Conduct audit of the District's financial statements in accordance with Generally Accepted Government Auditing Standards (Yellow Book).

#### **Management's responsibilities:**

- Financial statement preparation and disclosures and required supplementary information in accordance with generally accepted accounting principles (GAAP – Government Accounting Standards Board (GASB)).

*Independent Auditors assist in the preparation of the financial statements, note disclosures, and required information in accordance with GAAP and prescribed guidelines. All proposed adjusting entries and conversions from accounting records to financial statements must be agreed upon and accepted by the entity.*

- Design, implementation, and maintenance of internal controls to help ensure appropriate goals and objectives are met; compliance with appropriate laws, regulations, contracts, and agreements; prevent and detect fraud and ensuring management and financial information is reliable and properly reported.

#### **Auditor's responsibilities:**

- Express opinions on the financial statements based upon our audit.
- Involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements in order to express opinions.
- Report on deficiencies in financial reporting and internal controls and other matters deemed to be material or significant and to report on other matters deemed important to be reported to the governing body. (commonly referred to as the Yellow Book Report).

#### **Issued Independent Auditor's Reports:**

1. Independent Auditor's Report – expresses unmodified opinions – in our opinions on the District's financial statements (opinion units) fairly statement in material respects.
2. Yellow Book report – No significant deficiencies or material weaknesses in internal control over financial reporting and on compliance were reported. No other matters were reported that have a direct and material effect on the financial statements.
3. Other Information – Combining Balance Sheet – Other Governmental Funds and Schedule of Treasurer's Cash; - express that both are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

**Financial statements' highlights:**

*Different reporting models/statements under GAAP in comparison to the District's daily reporting/DOR*

**Government-wide financial statements:**

Report the District's governmental activities on a full accrual basis.

- *Most simplistically, recording all assets, obligations, of the entity regardless of when cash is received or paid.*
- *Most notably recording of all obligations (OPEB liability, pension liability, long-term bonds, etc.)*

**Net Position**

Aggregate net position of the District at year-ended June 30, 2020– deficit balance approximately \$17.8 million. Comprised of the following components:

- Net investment in capital assets – net book value of the capital assets, less debt associated with acquiring - \$43.2 million. [\$51.5 million (net capital assets) - \$8.2 million (bonds) - - \$44,000 capital leases].
- Restricted - \$3.0 million, essentially represent the revolving/special revenue funds. (primarily circuit breaker \$2.0 million).
- Unrestricted – remaining net position – Deficit balance of \$64.0 million. Primarily a result of long-term liabilities of \$61.6 million net OPEB liability and \$5.9 million net pension liability.
  - FY2020 decrease in aggregate net position of \$2.2 million.
  - Primarily due to amounts associated with the OPEB obligation

**Fund basis financial statements:**

Report the District's governmental funds on a modified accrual basis.

- Most simplistically referring to the amount of the transaction can be determined and available within the current period, or soon enough to pay liabilities of the current period. (i.e. often 60 days).

**Fund Balances:**

- **General Fund** – aggregate fund balance - \$1.8 million; assigned \$400,000 – 2021 budget. Unassigned fund balance of \$1.4 million, represents approximately 3.6% of the fiscal 2020 expenditures.
- **SPED Reimbursement Fund** - \$2.0 million.
- **Other Governmental Funds** – aggregate of special revenue funds (all remaining District funds)– aggregate fund balance of \$1.0 million.

**Fiduciary funds** – maintained by District for benefit of others.

- Private Purpose Trust Funds – Scholarships – Net position \$96,000.
- Agency accounts – student activities – Amounts due to students \$241,000.

District hasn't established an OPEB Trust fund yet. Current requirements require funding of such for Regional School Districts only through annual budget.

***Required Supplementary Information:*** Other information required by GAAP to accompany the District's financial statements.

- Budgetary Comparison Schedule – General Fund
  - Revenues in excess of budget – approximately \$212,000.
  - Appropriations in excess of expenditures (savings) of approximately \$223,000.
- Ten Year historical information – pensions and other postemployment benefit plans (OPEB).
  - Ten Year Schedule of District's Pension Plan contributions and related information.
  - Ten Year Schedules associated with District's OPEB Plan.

***Looking ahead to Fiscal year 2021 and beyond:***

- Significant federal funding to entities through CARES ACT and American Rescue Plan Act of 2021.
  - District probably subject to OMB – Single Audit for FY2021.....
  - Compliance audit (compliance with program requirements and internal controls surrounding)
  - Increasing requirements, complexities...
  - Must identify all federal programs (expenditures) for the fiscal year.
  - Funds being passed through federal agencies (direct funding), through the state, through member Towns, other entities.
  - Need to identify any donated PPE, value/amount
  - Documentation, policies procedures addressing specific requirements/internal control surrounding compliance.
  - Transparency/compliance significant OMB
  - Often minimized by entities...
- Government Accounting Standards Board (GASB) postponed implementation of new standards due to the COVID pandemic but will be increasing FY2022 and beyond.