

Dobbs Ferry Union Free School District, New York
Report to Those Charged with Governance
June 30, 2019

October 3, 2019

Prepared by

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Partner

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**KNOW
GREATER
VALUE**

October 3, 2019

The Board of Education
Dobbs Ferry Union Free School District, New York
505 Broadway
Dobbs F, New York 10580

We have audited the financial statements of the Dobbs Ferry Union Free School District as of and for the year ended June 30, 2019 and have issued our report thereon dated October 3, 2019. Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and the Dobbs Ferry Union Free School District and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of the Dobbs Ferry Union Free School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP

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Status of the Audit

Audit of Financial Statements

- Audit fieldwork is complete.
- The financial statements have been reviewed by management and issued.
- We have issued an unmodified report on the financial statements.

Required Communications and Other Matters

Required Item	Comments
Auditor's responsibility under professional standards and planned scope and timing of the audit	<p>We have communicated such information in our engagement letter to you dated January 5, 2017. Generally, these responsibilities include:</p> <ul style="list-style-type: none"> • Forming and expressing an opinion on the financial statements. • Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud. • Accumulating and communicating uncorrected misstatements to Those Charged with Governance ("TCWG"). • Maintaining professional skepticism. • Communicating audit related matters that are, in our professional judgment, significant to TCWG.
Supplementary information accompanying the financial statements	<p>Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.</p> <p>With respect to such supplementary information, we made certain inquiries of members of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior period the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>
Other information in documents containing audited financial statements	<p>Our responsibility as auditors for other information in documents containing the audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to determine that such other information is properly stated.</p>

Required Item	Comments
Our responsibilities under the Yellow Book	In connection with our audit, we performed tests of the Entity's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.
Responsibilities of management and TCWG	<p>Management's responsibilities include:</p> <ul style="list-style-type: none"> • The fair presentation of the financial statements, including the selection of appropriate accounting policies. • Establishing and maintaining effective internal control. • Complying with laws, regulations, grants and contracts. • Providing the auditors with all financial records and related information and a signed representation letter. <p>TCWG are responsible for communicating with the auditors and overseeing the financial reporting process.</p> <p>Both management and TCWG are responsible for:</p> <ul style="list-style-type: none"> • Setting the proper tone at the top. • Designing and implementing policies and controls to prevent and detect fraud.
Qualitative aspects of accounting practices - Accounting Policies	<p>The significant accounting policies are described in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements.</p> <p>The accounting policies of the Entity conform to U.S. generally accepted accounting principles as applicable to state and local governments. The Entity's reports are based on all applicable GASB pronouncements.</p>
Qualitative aspects of accounting practices – Significant Unusual Transactions	No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.

Required Item	Comments
Qualitative aspects of accounting practices - <i>Accounting Estimates and Management's Judgment</i>	<p>Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.</p> <p>Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are:</p> <ul style="list-style-type: none"> • Actuarial assumptions related to the Other Post Employment Benefit Obligations ("OPEB") • Actuarial assumptions and proportionate share calculations related to pension obligations • Asset lives for depreciable capital assets • Estimates of certain receivable balances and allowances for uncollectible amounts • Estimates for certain operating and long-term liabilities <p>Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.</p>
Qualitative aspects of accounting practices - <i>Financial Statement Disclosures</i>	<p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are:</p> <ul style="list-style-type: none"> • Other post employment benefit obligations payable • Pension plan information • Outstanding bonded indebtedness • Fund balances <p>The financial statement disclosures are consistent and clear.</p>
Difficulties encountered in performing the audit	<p>We encountered no significant difficulties in dealing with management relating to the performance of our audit.</p>

Required Item	Comments
Corrected and uncorrected misstatements	<p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.</p> <p>We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.</p> <p>In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached Appendix 1 summarizes the misstatements that were corrected by management.</p>
Disagreements with management	<p>For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.</p>
Management representations	<p>We have requested certain representations from management that are included in the management representation letter (see Appendix 2).</p>
Management's consultations with other accountants	<p>In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants.</p>
Auditor independence	<p>We affirm that PKF O'Connor Davies, LLP is independent with respect to the Entity in accordance with relevant professional standards.</p>
Significant issues discussed with management prior to retention	<p>We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Entity and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.</p>

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dobbs Ferry Union Free School District's (the "Entity") internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

- A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
- A **material weakness** is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
- A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we share for your consideration on the following pages other observations about the internal control and operations.

This communication is intended solely for the information and use of management and others charged with governance and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP
Harrison, New York
October 3, 2019

Dobbs Ferry Union Free School District

Control Deficiencies

- **Extraclassroom Activity Funds**

Cash Receipts

During our testing of the Extraclassroom Activity Funds cash receipts, it was noted that both the middle school and high school clubs do not indicate the date on which funds were received. As a result, we were unable to determine if funds are being deposited timely.

Extraclassroom

During our testing, the auditor noted that three clubs in the High School had no activity for the year:

Extra-classroom Activity Funds:

- SR Internship – Drama - \$264 balance
- Orpheus - \$33 balance
- GSA- \$173

Recommendation

In order to strengthen controls of Extraclassroom Activity Funds cash handling, we recommend that the School District implement a formal policy requiring that the date of receipt is accurately documented for all funds received. Further, we suggest the District close clubs if they remain inactive.

- **Bids**

During our testing of bids, it was noted that the District was missing the statement of non-collusion and the advertisements for 3 out of 5 vendors selected for testing.

Recommendation

We recommend that district maintain all documents regarding bids in a secure location.

- **Late Health Service Billings and Building Aid Filling**

During the audit it was noted the District did not bill until after year-end the health service billings to various school districts, which totaled about \$222,000. In addition, it was noted the District filed late with New York State for building aid, which caused the District not to receive approximately \$400,000 in the 18/19 year.

Recommendation

We recommend the District establish deadlines to ensure that all billings and fillings with New York State are met.

Dobbs Ferry Union Free School District

Control Deficiencies

- **Audit Readiness**

Accurate Postings

During our audit procedures, we noted numerous posting errors, which required that corrections be made. These factors resulted in the need for expanded time spent in some areas in that certain basic accounting needed to be performed.

Recommendation

We suggest that posting errors should occur only on a very limited basis. The District should inform the employee performing this function of the large number of errors and stress the need to exercise greater care. If this problem does not improve, a change is needed to eliminate this issue.

- **Reversal of Prior Year Accruals**

During the audit it was noted that a handful of material balance sheet accounts remained unchanged for over 1 year. The balance sheet accounts are as follows. Due from other governments totaling \$355,746, accounts payable totaling \$74,238, accrued liabilities totaling \$77,760, due to other governments totaling \$40,020, and deferred revenue totaling \$9,651.

Recommendation

We suggest the District maintain a reconciliation of these accounts and investigate any amounts which are over 1-year-old to ensure the accounts are reasonably stated.

- **School Lunch**

Deferred Revenue

In testing the deferred revenue account, we noted that the amount in the trial balance does not match with the detailed Student Account Balances report from the cafeteria system the District is using. There appears to be about \$5,000 variance between the General Ledger and the cafeteria reports.

Recommendation

We recommend that the School District take an additional effort to determine the cause of this difference. The District should request timely generated reports from the cafeteria system so they are able to accurately reconcile the deferred revenue account and the Student Account Balances report.

On the Horizon

GASB Statement No. 84 – *Fiduciary Activities*

In January 2017, GASB issued Statement No. 84 “*Fiduciary Activities*”. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Previously issued guidance lacked the necessary clarity to determine when a government had fiduciary responsibility for a certain activity. This lack of clarity has resulted in a divergence in practice among financial statement preparers and auditors.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities. The focus of the criteria is on (a) whether a government *controls* the assets of the fiduciary activity and (b) the *beneficiaries* with whom a fiduciary relationship exists. A government is considered in control of the assets if the government holds the assets or has the ability to direct the use of the assets in a manner that provides benefits to the specified or intended recipients. The assets also cannot be derived from the government’s own source revenues (or from government-mandated or voluntary non-exchange transactions) and must also have one or more of the following characteristics related to whom the assets will benefit:

- 1) Be administered through a trust
- 2) The government itself is not the beneficiary
- 3) Dedicated to providing benefits in accordance with the benefit terms
- 4) Legally protected from the government’s creditors for the benefit of individuals and the government has no administrative or direct financial involvement with the asset
- 5) For the benefit of individuals and government has no administrative or direct financial involvement with the assets

An activity meeting the above criteria should be reported in the basic financial statements in one of the following four fiduciary funds, as applicable:

- 1) Pension (and other employee benefit) trust funds
- 2) Investment trust funds
- 3) Private-purpose trust funds
- 4) Custodial funds

Custodial funds should report fiduciary activities that are not reported in one of the first three fiduciary funds noted above. The use of **Agency funds has been eliminated with this Statement and replaced with custodial funds.**

Governments with activities meeting the above criteria will present a Statement of Fiduciary Net Position (i.e., assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) and a Statement of Changes in Fiduciary Net Position (i.e., additions and deductions) for each fiduciary fund type. Previous guidance for agency funds only required the presentation of assets and liabilities, whereas the custodial funds require the same elements as the other fiduciary funds, including net position.

The provisions of this Statement are effective for fiscal years beginning after December 15, 2018 (i.e., the School District’s financial statements for the year ended June 30, 2019) with earlier application encouraged.

GASB Statement No. 87 – Leases

Potentially pervasive changes are coming to lease accounting. Under the provisions of GASB Statement No. 87, nearly every lease will be considered a capital lease. While local governments and school districts would most likely be lessees in these kinds of transactions, some might also be involved in transactions where they are the lessor of these assets.

Under this standard, lessees will now be required to recognize in their entity-wide Statement of Net Position a lease liability and an intangible right-to-use lease asset when the lease begins. The intangible asset will be similar to other capital assets by requiring amortization over the life of the lease term, similar to depreciation of tangible capital assets. Also similar to other capital assets, leases will need to be assessed for impairment.

Lessors will do the opposite. Lessors will recognize a lease receivable and a deferred inflow of resources at the start of a lease. The receivable will be reduced and revenue recognized as lease payments are received each year. The lessor will continue to report the capital asset on its own Statement of Net Position.

Governments should review this standard early to anticipate what changes might need to be made to policies, accounting procedures, laws and regulations. The provisions of this Statement are **effective for fiscal years beginning after December 15, 2019 (i.e., the School District's financial statements for the year ended June 30, 2020) with earlier application encouraged.**

Changes to Government Auditing Standards

The U.S. Government Accountability Office, in July 2018, issued its 2018 revision to Government Auditing Standards (i.e. "Yellow Book"). These changes will be the first changes since 2011 and are designed to ensure the standards continue to meet the needs of the federal, state and local government communities and the public these bodies serve. The following significant new audit requirement was added to the 2018 revision:

As part of an audit under Government Auditing Standards, if auditors become aware of waste or abuse that could be quantitatively or qualitatively material to the financial statements, auditors should perform additional audit procedures to ascertain the potential effect on the financial statements.

Included in the application guidance are these definitions:

Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Waste involves the taxpayers not receiving reasonable value for money in connection with any government-funded activities because of an inappropriate act or omission by parties with control over or access to government resources. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Because the determination of abuse is

subjective, auditors are not required to perform procedures to detect abuse in financial audits. Auditors may discover that abuse is indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

The 2018 revision of Government Auditing Standards is effective for financial audits for periods ending on or after June 30, 2020. Early implementation is not permitted.

Appendix 1

Corrected Misstatements

Account	Description	Debit	Credit
GENERAL FUND			
Adjusting Journal Entries JE # 2			
To move money received for special aid that was booked in General Fund and move to Special Aid Fund			
410.00	Due From State and Federal	85,614.00	
410.00	Due From State and Federal	273,293.00	
630.30	Due to Special Aid		85,614.00
630.30	Due to Special Aid		273,293.00
Total		358,907.00	358,907.00
Adjusting Journal Entries JE # 5			
To book accrual for BOCES Aid totaling \$453,612 in the 18/19 year			
410.00	Due From State and Federal	453,612.00	
3103.000	BOCES Aid (Sect 3609a Ed Law)		453,612.00
Total		453,612.00	453,612.00
Adjusting Journal Entries JE # 6			
To correct client entry. This was to correct PYs BOCES aid that that was booked in 2701			
2701.000	Refund PY Exp-BOCES Aided Srvc	473,178.00	
410.00	Due From State and Federal		473,178.00
Total		473,178.00	473,178.00
Adjusting Journal Entries JE # 7			
To write off old receivable in Capital Fund.			
3101.300	Building Aid	45,277.00	
630.25	Due to Capital Fund		45,277.00
Total		45,277.00	45,277.00
Adjusting Journal Entries JE # 8			
to remove Assigned Appr fund balance which represent py encumbranced and move into			
914.00	Assigned Appr Fund Balance	905,364.00	
917.00	Unassigned Fund Balance		905,364.00
Total		905,364.00	905,364.00
Adjusting Journal Entries JE # 10			
To correct tax certs reserve. Client increased the reserve instead of decrease reserve for the			
864.00	Reserve for Tax Certiorari	279,692.00	
917.00	Unassigned Fund Balance		279,692.00
Total		279,692.00	279,692.00

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 12			
To Book Tax Certs that were applicable for the 18/19 year and paid subsequently			
1930-434-00-8002	CERTIORARI	132,294.00	
601.00	Accrued Liabilities		132,294.00
Total		132,294.00	132,294.00
Adjusting Journal Entries JE # 13			
To Adjust Tax Cert Reserve for tax Certs paid subsequently			
864.00	Reserve for Tax Certiorari	132,294.00	
917.00	Unassigned Fund Balance		132,294.00
Total		132,294.00	132,294.00
Adjusting Journal Entries JE # 15			
To Accrue Revenue for Health Services billing that wasnt accrued.			
440.20	Due From Other Govts-Health Sv	221,825.00	
2280.000	Health Services for Oth Dist.		221,825.00
Total		221,825.00	221,825.00
Adjusting Journal Entries JE # 16			
Client entry to Write off balances in balance sheet accounts.			
2770.000	Other Unclassified Rev.(Spec)	54,067.00	
410.00	Due From State and Federal	100,010.00	
600.00	Accounts Payable	74,238.00	
601.99	Accrued Expenses	77,760.00	
631.00	Due To Other Governments	40,020.00	
691.00	Deferred Revenues	9,651.00	
440.00	Due From Other Governments		355,746.00
Total		355,746.00	355,746.00
<u>CAPITAL FUND</u>			
Adjusting Journal Entries JE # 1			
To reverse retainage payable and expenditures picked up in prior years.			
605.00	Retained Percent., Contr. Payabl	207,814.00	
1620-294-00-001017	HVAC - HS		25,017.00
1620-294-01-004017	HVAC - SH		124,976.00
1620-296-00-001017	Electrical - HS		23,130.00
1620-296-01-004017	Electrical - SH		34,691.00
Total		207,814.00	207,814.00
Adjusting Journal Entries JE # 2			
To write off balance of building aid receivable set up in prior years. District had been making an			
391.10	Due From General Fund	45,277.00	
410.00	Due From State and Federal		45,277.00
Total		45,277.00	45,277.00

Account	Description	Debit	Credit
<u>SPECIAL AID FUND</u>			
Adjusting Journal Entries JE # 2			
To book Receivables for various programs			
410	Due From State and Federal	5,506.00	
410	Due From State and Federal	83,097.00	
410	Due From State and Federal	102,330.00	
4289.100-19011A	TITLE II A	6,325.00	
3289.000-1819SS	1819 Summer School		102,330.00
4126.000-190001	TITLE 1		83,097.00
4289.200-19111A	TITLE 11A		5,506.00
691	Deferred Revenue		6,325.00
Total		<u>197,258.00</u>	<u>197,258.00</u>
Adjusting Journal Entries JE # 3			
To move money received for special aid that was booked in General Fund and Move to Special			
391.4	Due from General	4,370.00	
391.4	Due from General	15,962.00	
391.4	Due from General	69,652.00	
391.4	Due from General	268,923.00	
410	Due From State and Federal		69,652.00
410	Due From State and Federal		268,923.00
4126.000-180001	TITLE 1		15,962.00
4256.000-180611	Indiv. w/Disab. Ed Act (I		4,370.00
Total		<u>358,907.00</u>	<u>358,907.00</u>
Adjusting Journal Entries JE # 6			
To Book Title 2 Revenue			
410	Due From State and Federal	23,941.00	
691	Deferred Revenue	6,097.00	
4289.100-18011A	TITLE 11A		6,097.00
4289.100-18011A	TITLE 11A		23,941.00
Total		<u>30,038.00</u>	<u>30,038.00</u>
Adjusting Journal Entries JE # 10			
To Adjust the Due to/Due from			
630	Due to General Fund	6,097.00	
630	Due to General Fund	24,477.00	
410	Due From State and Federal		6,097.00
410.20	Misc DF Foundation		24,477.00
Total		<u>30,574.00</u>	<u>30,574.00</u>
Adjusting Journal Entries JE # 13			
Client Entry- book receivable for 611 & 619			
410	Due From State and Federal	292,221.00	
4256.000-110611	Indiv. w/Disab. Ed Act (I		285,443.00
4256.000-110619	Indiv. w/Disab. Ed Act (I		6,778.00
Total		<u>292,221.00</u>	<u>292,221.00</u>

Appendix 2

Management Representation Letter

October 3, 2019

PKF O'Connor Davies, LLP
500 Mamaroneck Avenue Suite 301
Harrison, New York 10528

This representation letter is provided in connection with your audit of the financial statements of the Dobbs Ferry Union Free School District, New York, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

This representation letter is also provided in connection with your audit of the financial statements of the Extraclassroom Activity Funds of the School District which comprise the statement of cash receipts, cash disbursements and cash balances as of June 30, 2019 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the basis of accounting prescribed by the New York State Department of Education.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, (having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves) as of the date of this letter, the following representations made to you during your audit.

Our Responsibilities

- 1) We acknowledge that we have fulfilled our responsibilities for:
 - a) The preparation and fair presentation of the financial statements in accordance with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
 - b) The preparation and fair presentation of the financial statements of the School District's Extraclassroom Activity Funds in conformity with the accounting principles prescribed by the New York State Department of Education which is a comprehensive basis of accounting other than US GAAP.
 - c) 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; and
 - d) The design, implementation, and maintenance of internal control to prevent and detect fraud.

- 2) We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.
- 3) We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entries to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.
- 4) We acknowledge our responsibility for presenting the combining and individual fund financial statements and in accordance with US GAAP, and we believe the combining and individual fund financial statements and schedules, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the combining and individual fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the combining and individual fund financial statements and schedules is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

Financial Statements

- 5) The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
 - a) The School District's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
 - b) There have been no changes during the period audited in the School District's accounting policies and practices.
 - c) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7) The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
 - a) The identity of all related parties and related party relationships and transactions including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the District is contingently liable, if any.
 - c) The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
 - d) The identity of the School District's related parties and all the related party relationships and transactions of which we are aware.

- 8) We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 9) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the District's accounts. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the School District's accounts.

Information Provided

- 10) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if applicable.
 - c) Additional information that you have requested from us for the purpose of the audit.
 - d) Unrestricted access to persons within the School District from whom you determined it necessary to obtain audit evidence.
 - e) Completeness and availability of all minutes of the meetings of the School District Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 12) There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the District's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

Government—specific

- 16) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 17) The School District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 18) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

- 19) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 20) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 22) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 23) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably with senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We also understand that as part of your audit, you prepared various adjusting journal entries, both on the fund and entity-wide level, and acknowledge that we have reviewed and approved those entries and accepted responsibility for them.
- 24) The School District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The School District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 27) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 28) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 30) Investments and land are properly valued.
- 31) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) We agree with the findings of specialists in evaluating the other postemployment benefit obligation and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
- 35) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 39) Capital assets are properly capitalized, reported, and, if applicable, depreciated.
- 40) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- 41) We have appropriately disclosed the School District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) Expenditures of federal awards were below the \$750,000 threshold for the year ended June 30, 2019 and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

Signature: 

Title: Superintendent

Signature: 

Title: Assistant Superintendent

Appendix 3

About PKF O'Connor Davies, LLP

FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top-tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 29 on *Accounting Today's* 2019 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

Industry Recognition

- **Ranked 29 of "2019's Top 100 Firms"**
– *Accounting Today*, 2019
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**
– *Accounting Today*, 2019
- **Ranked 11 of "New Jersey's Top Accounting Firms"**
– *NJBIZ*, 2018
- **"Tax Advice Award"**
– *Family Wealth Report Awards*, 2018
- **"Best Multi-Family Office – Client Service – Over \$2 Billion"**
– *Private Asset Management Awards*, 2018
- **"Best Private Client Audit Firm"**
– *Private Asset Management Awards*, 2017
- **"Best Places to Work in New Jersey"**
– *NJBIZ*, 2018
- **Ranked 19 of the 50 "Best Accounting Employers to Work for in North America"**
– *Vault*, 2019

Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate...and yet, we still rank among them. Our services include:

Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Elite Accounting Services
- Employee Benefit Plans
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)
- Public Sector Audits & Compliance

International Services

- China Desk
- General Data Protection Regulation (GDPR)
- German Desk
- Transfer Pricing

Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax Research and Strategic Planning
- Tax-Exempt Organizations
- Trust and Estate Planning

Advisory Services

- Bankruptcy & Restructuring
- Cybersecurity Advisory Services
- Dark Web Monitoring Services
- Digital Forensic Services
- Forensic, Litigation and Valuation Services
- Matrimonial Services
- Management Advisory Services
- Risk Advisory Services
- Specialty Industry Advisory Services
 - Business Solutions
 - Employee Benefit Plan Services
 - Healthcare Advisory Services
 - Hospitality Advisory Services
 - Medical and Dental Advisory Services
 - Public Sector Advisory Services
- Transaction & Financial Advisory Services
- Wealth Services

Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

We offer an exceptional breadth of advisory services across diverse industries and sectors.



Bethesda, MD | Cranford, NJ | Harrison, NY | Livingston, NJ | New York, NY | Newburgh, NY (Eastertown Road & 254 Route 17K) | Providence, RI | Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

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