

Communication with Those Charged with Governance at the Conclusion of the Audit

To the Board of Education
Arlington Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Central School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arlington Central School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Arlington Central School District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities. We noted no transactions entered into by Arlington Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. The District, in accordance with GASB No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires significant actuarial estimates to calculate the District's postemployment benefits liability and related deferred inflows and outflows.
2. The District's estimate of its compensated absences liability.
3. Estimates involving depreciable lives of the District's capital assets and the related depreciation.

4. The District, in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions* (as amended by GASB Statement 71), requires significant actuarial estimates to calculate the net pension assets and liabilities, deferred inflows and outflows of resources – pensions, and pension expense.

We evaluated the key factors and assumptions used by management in determining that accounting estimates are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Arlington Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Arlington Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and other required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and 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.

Restriction on Use

This information is intended solely for the use of the Board of Education, management of Arlington Central School District, and the New York State Education Department and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

October 12, 2022

Rome, New York

Client: 04391 - Arlington Central School District
Engagement: 2022 FS - Arlington CSD
Period Ending: 6/30/2022
Trial Balance: TB
Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Conversion entry for bond principal payments for the current year.				
GW 0628	Bonds Payable	5300.05	8,852,000.00	
GW 9711.600	Serial Bonds Principal, School Construction			8,852,000.00
Total			8,852,000.00	8,852,000.00
Adjusting Journal Entries JE # 2				
Conversion entry for accrued interest on serial bonds and EPC.				
GW 0651	Accrued Interest Payable	5300.20	28,376.00	
GW 9711.700	Serial Bonds Interest, School Construction			28,376.00
Total			28,376.00	28,376.00
Adjusting Journal Entries JE # 3				
Conversion entry for the CY net change in the GASB 75 OPEB liability.				
GW 0683	Other Postemployment Benefits (OPEB)	5600.40	266,291,093.00	
GW 9060.800	Other OPEB Expense		26,680,543.00	
GW 0496.2	Deferred Outflows of Resources, OPEB			48,196,962.00
GW 0691.1	Deferred Inflow of Resources, OPEB			244,774,674.00
Total			292,971,636.00	292,971,636.00
Adjusting Journal Entries JE # 4				
Conversion entry for current year payments on energy performance contract				
GW 0685	Lease Payable - EPC	5300.05	1,289,987.00	
GW 9789.610	Energy Performance Contract Principal			1,289,987.00
Total			1,289,987.00	1,289,987.00
Adjusting Journal Entries JE # 5				
Conversion entry for additions to Construction in Progress.				
GW 0105	Construction Work in Progress	4600.01	1,552,512.00	
GW 1999.100	General Support, Other			1,470,533.00
GW 2999.100	Instruction, Other			81,979.00
Total			1,552,512.00	1,552,512.00
Adjusting Journal Entries JE # 6				
Conversion entry for current year additions to fixed assets.				
GW 0102	Buildings and Improvements	4600.01	21,284,347.00	
GW 0104	Equipment and Vehicles		1,713,413.00	
GW 0105	Construction Work in Progress			21,274,061.00
GW 1999.200	General Support, Equipment			26,166.00
GW 2999.200	Teach Reg School Equipment			34,131.00
GW 5999.200	Transportation, Equipment			1,663,402.00
Total			22,997,760.00	22,997,760.00
Adjusting Journal Entries JE # 7				
Conversion entry for current year disposals of fixed assets.				
GW 0114	Equipment and Vehicles Acc Depr	4600.01	1,708,243.00	
GW 1999	LOSS ON DISPOSAL OF EQUIPMENT		8,832.00	
GW 0104	Equipment and Vehicles			1,717,075.00
Total			1,717,075.00	1,717,075.00
Adjusting Journal Entries JE # 8				
Conversion entry to allocate employee benefits to functions.				
GW 1999.900	General Support, Employee Benefit Allocation	1225.55	6,396,619.00	
GW 2999.900	Instruction, Employee Benefit Allocation		63,625,882.00	
GW 5999.900	Transportation, Employee Benefit Allocation		5,705,588.00	
GW 6999.900	School Lunch, Employee Benefit Allocation		785,067.00	
GW 9098.900	Employee Benefits Allocation			76,513,156.00
Total			76,513,156.00	76,513,156.00
Adjusting Journal Entries JE # 9				
Conversion entry for current year depreciation of fixed assets.				
GW 1999.300	General Support, Depreciation	4600.01	906,183.00	
GW 2999.300	Instruction, Depreciation		5,018,088.00	
GW 5999.300	Transportation, Depreciation		548,217.00	
GW 6999.300	School Lunch, Depreciation		116,879.00	
GW 0112	Buildings Acc Depr			4,663,126.00
GW 0114	Equipment and Vehicles Acc Depr			1,926,241.00
Total			6,589,367.00	6,589,367.00

Adjusting Journal Entries JE # 10		5300.20		
Conversion entry for current year amortization of deferred charge and bond premiums.				
GW 0689	Unamortized Bond Premium		735,280.00	
GW 0489	Deferred Outflow of Resources - Loss on Refunding			320,509.00
GW 9711.700	Serial Bonds Interest School Construction			414,771.00
Total			<u>735,280.00</u>	<u>735,280.00</u>
Adjusting Journal Entries JE # 11		5700.50		
Conversion entry for TRS pension expense for GASB 68.				
GW 0108	Net TRS Pension Asset - Proportionate Share	83,033,983.00		
GW 0496	Deferred Outflows of Resources, TRS	3,009,248.00		
GW 0638	Net TRS Pension Liability - Proportionate Share	12,993,624.00		
GW 0697	Deferred Inflow of Resources, TRS			85,846,248.00
GW 9020.800	Pension Expense, TRS			13,190,607.00
Total			<u>99,036,855.00</u>	<u>99,036,855.00</u>
Adjusting Journal Entries JE # 12		5700.00		
Conversion entry for ERS pension expense for GASB 68.				
GW 0108.1	Net ERS Pension Asset - Proportionate Share	4,795,080.00		
GW 0638.1	Net ERS Pension Liability - Proportionate Share	59,469.00		
GW 0697.	Deferred Inflow of Resources, ERS	998,693.00		
GW 0496.1	Deferred Outflows of Resources, ERS			3,574,868.00
GW 9010.800	Pension Expense, ERS			2,278,374.00
Total			<u>5,853,242.00</u>	<u>5,853,242.00</u>
Adjusting Journal Entries JE # 13		5600.20		
Conversion entry to adjust Compensated Absences per reports.				
GW 9089.800	Compensated Absence Expense	3,480,124.00		
GW 0687	Compensated Absences			3,480,124.00
Total			<u>3,480,124.00</u>	<u>3,480,124.00</u>
Adjusting Journal Entries JE # 14				
Conversion entry to reverse BAN redeemed from appropriations.				
GW 5731	BANs Redeemed from Appropriations	2,268,500.00		
GW 9732.610	BAN Principal Paid			2,268,500.00
Total			<u>2,268,500.00</u>	<u>2,268,500.00</u>
Adjusting Journal Entries JE # 15		5350.10		
Leases - To reclassify current year lease payment to debt service codes.				
A 9788.610-00-0000	LEASE PRINCIPAL	850,429.00		
A 9788.710-00-0000	LEASE INTEREST	28,886.00		
A 2630.490-00-0000	COMP INST SERVICES FROM BOCES			879,315.00
Total			<u>879,315.00</u>	<u>879,315.00</u>
Adjusting Journal Entries JE # 16		5350.10		
To record new lease dated 8/9/2021				
H 2110.200	FURNITURE, EQUIPMENT, TEXTBOOKS	659,579.00		
H 5788	LEASES			659,579.00
Total			<u>659,579.00</u>	<u>659,579.00</u>
Adjusting Journal Entries JE # 17		5350.10		
To record balances as of 6/30/2021				
GW 0124	Intangible Lease Asset - Machinery and Equipment	3,688,745.00		
GW 0134	Accumulated Amortization - Intangible Lease Asset - Machinery and Equipment			1,544,907.00
GW 0682	Lease Liability			1,431,382.00
GW 8012	Prior Period Adjustment			712,456.00
Total			<u>3,688,745.00</u>	<u>3,688,745.00</u>
Adjusting Journal Entries JE # 18		5350.10		
To record current year additions				
GW 0124	Intangible Lease Asset - Machinery and Equipment	659,579.00		
GW 5788	Proceeds of Leases	659,579.00		
GW 0682	Lease Liability			659,579.00
GW 2999.200	Teach Reg School Equipment			659,579.00
Total			<u>1,319,158.00</u>	<u>1,319,158.00</u>
Adjusting Journal Entries JE # 19		5350.10		
To record current year lease amortization.				
GW 2999.350	Instruction - Amortization	863,707.00		
GW 0134	Accumulated Amortization - Intangible Lease Asset - Machinery and Equipment			863,707.00
Total			<u>863,707.00</u>	<u>863,707.00</u>
Adjusting Journal Entries JE # 20		5350.10		
To record current year lease payments				
GW 0682	Lease Liability	850,429.00		
GW 9788.610	Leases - Principal			850,429.00
Total			<u>850,429.00</u>	<u>850,429.00</u>

Adjusting Journal Entries JE # 21

To adjust the appropriated fund balance to the 2022-23 budget

A910	APP F.B.-NEXT YR BUDGET	210,000.00	
A909	FUND BALANCE UNRESERVED		210,000.00
Total		210,000.00	210,000.00

Adjusting Journal Entries JE # 22

To adjust TRS to estimated bill

A632	DUE TO TEACHER RETIREMENT	23,444.00	
A 9020,800-00-0000	TEACHERS' RETIREMENT		23,444.00
Total		23,444.00	23,444.00

Adjusting Journal Entries JE # 23

To adjust custodial funds to Extraclassroom Activity balances and reverse PY accounts payable.

TC 1935.400	OTHER CUSTODIAL ACTIVITIES	498,026.00	
TC200	CASH IN EXTRACLASS	35,621.00	
TC600	ACCOUNTS PAYABLE	5,808.00	
TC 2705	GIFTS AND DONATIONS		539,455.00
Total		539,455.00	539,455.00

7900.43

Adjusting Journal Entries JE # 24

Conversion entry for change in deferred inflows related to grants.

GW 0691	Deferred Inflow of Resources, Grants and State Aid	29,491.00	
GW 3101.2	Capital Grants Deferred		29,491.00
Total		29,491.00	29,491.00

Adjusting Journal Entries JE # 25

To update retainage per analysis of construction commitments.

GW 0605	Retainage Payable	751,205.00	
GW 0105	Construction Work in Progress		751,205.00
Total		751,205.00	751,205.00

7200.20

Total Adjusting Journal Entries

533,700,398.00 533,700,398.00

Total All Journal Entries

533,700,398.00 533,700,398.00