LONG BEACH
CITY SCHOOL DISTRICT
Audit Planning Meeting
Date: July 14, 2020

EXTERNAL AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
JUNE 30, 2020

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS
<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement Objectives</td>
<td>2</td>
</tr>
<tr>
<td>The Audit Engagement</td>
<td>3</td>
</tr>
<tr>
<td>Auditor’s Responsibilities</td>
<td>3</td>
</tr>
<tr>
<td>District Responsibilities</td>
<td>4</td>
</tr>
<tr>
<td>Audit Methodology and Approach</td>
<td>5</td>
</tr>
<tr>
<td>Timetable</td>
<td>7</td>
</tr>
<tr>
<td>Engagement Team</td>
<td>8</td>
</tr>
<tr>
<td>Recent Developments</td>
<td>9</td>
</tr>
</tbody>
</table>
ENGAGEMENT OBJECTIVES

| AUDIT OF FINANCIAL STATEMENTS |

- To express an opinion about whether the financial statements prepared by the District are fairly presented, in all material respects in conformity with accounting principles generally accepted in the United States of America.

- Report on internal controls over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements in accordance with U.S. Government Accountability Office (GAO) Government Auditing Standards.

- To express an opinion on the extraclassroom activity funds. The financial statement is prepared on the cash basis of accounting.

| FEDERAL SINGLE AUDIT |

- Required when total federal awards expended for the fiscal year were $750,000 or more.

- Report on District’s compliance with the requirements applicable to each major federal program, and on District’s internal control over compliance, and opinion on schedule of expenditures of federal awards in accordance with the Single Audit Act and the OMB Uniform Guidance.
THE AUDIT ENGAGEMENT

- Is designed to obtain reasonable rather than absolute assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud (a material misstatement may exist and remain undetected).

- Is not designed to provide assurance on District’s internal control or deficiencies in internal control.

- Is not designed to detect immaterial errors or fraud.

- Includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

- Applies materiality in planning and performing the audit.

- Does not include a detailed examination of all transactions.

AUDITOR’S RESPONSIBILITIES

The Auditor is responsible for the following:

Conducting the audit in accordance with professional standards:
- Generally Accepted Auditing Standards (GAAS);
- Government Auditing Standards (GAGAS);

Communicating significant matters related to the audit to those charged with governance.
- Board of Education

Maintaining independence and an attitude of professional skepticism throughout the audits.
DISTRICT'S RESPONSIBILITIES

The District's management is responsible for the following:

- The annual financial statements and accompanying information;
- Overseeing nonaudit services provided by the auditors, i.e., preparation of financial statements;
- The adoption of proper accounting policies;
- Establishing and maintaining effective internal controls over
  - compliance with applicable laws, regulations, contracts, agreements and grants;
  - financial reporting;
  - the prevention and detection of fraud.
- Disclosing to the auditor significant deficiencies in internal control and any knowledge of fraud or allegations;
- Making all financial records and related information available;
- Identifying Federal awards - and their accounting and reporting requirements;
- Providing unrestricted access to District personnel from whom we obtain audit evidence;
- Adjusting financial records to correct material misstatements, if identified by audit;
- Providing the auditor with a management representation letter confirming certain representations made during the audit process. This letter must be received before the audit reports can be released.
AUDIT METHODOLOGY & APPROACH

| AUDIT PLANNING & RISK ASSESSMENT |

Obtain understanding of the District and the related risk areas:

- Obtain and document an understanding of principal features of internal controls and accounting procedures.
- Interview District personnel;
- Review internal auditor’s reports and findings;
- Review internal claims auditor’s reports;
- Review audit reports and communications related to audits from Federal, State or other agencies;
- Review minutes of Board of Education meetings;
- Contact and interview internal auditor and claims auditor;
- Perform preliminary analytical review of account balances.

| CONTROLS EVALUATION & TESTING |

Evaluate and test key internal control areas for compliance and effectiveness:

- Payroll
- Purchasing and cash disbursements
- Cash receipts and collections
- Accounting information system
- Bank reconciliations
- Journal entries and budget transfers
| SUBSTANTIVE TESTING |

Perform substantive audit procedures on critical audit areas. Identify significant account balances and non-routine transactions. Audit areas will include:

- Payroll and related liabilities;
- Revenue recognition and receivables;
- Restricted reserves activities;
- Capital projects expenditures;
- Capital assets inventory report from third party and reconciliation process by District;
- Calculation and presentation of long-term liabilities, including compensated absences, OPEB liabilities, financing debt and pension liability, including third party reporting of:
  - OPEB actuarial valuation
  - Teachers Retirement System and Local Employees Retirement System actuarial valuations
- Final analytical review.

| COMPLETION & REPORTING |

- Assist District with preparation of financial statements and disclosures once all required information is available;
- Present draft audit reports and required communications (management letter, governance communication and internal control deficiencies letters [if applicable] to the Board of Education;
- Issue final external audit reports to District - electronic submission to Office of State Comptroller;
- Issue Federal Single Audit reports by March 2021 due date.
TIMETABLE

Audit Planning & Risk Assessment Phase
Control Evaluation and Tests
Week of May 25, 2020 and ongoing

Substantive Testing & Completion Phase
Audit of Third Party Information
Preparation of Financial Statements
Week of September 14, 2020

Reporting
October 2020

Federal Single Audit
March 2021
ENGAGEMENT TEAM

Engagement Partner
Jill S. Sanders, CPA
Office 631.473.3400 x102 - Fax 631.642.4017
JSS@CDLLP.NET

Principal
Michael J. Leone, CPA
Office 631.473.3400 x321 - Fax 631.642.4025
MJL@CDLLP.NET

Audit Supervisor
Carol M. Perkins, CPA
Office 631.473.3400 x370 - Fax 631.473.4863
CMP@CDLLP.NET

Staff Auditor
Juliana Ver Straten
Office 631.473.3400 x338 - Fax 631.887.5047
JVS@CDLLP.NET
RECENT DEVELOPMENTS

| GASB STATEMENT No. 84 “FIDUCIARY ACTIVITIES” |

- Effective 2020-21 fiscal year.

- Establishes criteria for identifying activities that should be reported as fiduciary funds and clarifying how new business-type activities should report their fiduciary activities. Four fiduciary funds identified: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds.

- Office of State Comptroller recommends that New York State School Districts will need to assess activities currently classified as fiduciary to determine if these activities should be considered fiduciary in nature, or if these activities should now be reported as governmental funds. Most agency fund liabilities will now be reported in the general fund. Depending on a School District’s assessment, extraclassroom activity funds and scholarship funds will either be reported as custodial funds or governmental funds (probably governmental funds). Qualified opinion for cash receipts as in prior years for extraclassroom activity fund.

| GASB STATEMENT No. 87 “LEASES” |

- Effective 2021-22 fiscal year.

- Establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

- Amortization of amount over shorter of lease term or asset useful life. Discount on lease liability to be reflected.