Scottsdale Unified School District
June 30, 2020 Audit
February 2, 2021
June 30, 2020 Summary

• Reports Issued
  – Governance Communication
  – Comprehensive Annual Financial Report
  – Scottsdale Trust Audit Report
  – Single Audit Report
  – Uniform System of Financial Records (USFR) Compliance Questionnaire
  – Procurement Agreed-Upon Procedures
June 30, 2020 Audit Summary

• Preliminary fieldwork
  – 1-2 weeks planning and off-site work
  – 1 week on-site August 2020

• Final fieldwork
  – 2-3 weeks off-site/on-site November 2020
  – 1 week off-site December 2020

• Total Actual vs. Budget Hours:
  – 800 Actual
  – 690 Budget
June 30, 2020 at a Glance

Governance Communication

• Significant estimates:
  o Estimated useful lives of assets
  o Unfunded pension/OPEB liability
  o Program revenue allocation
  o Compensated absences
  o Fair Value of investments
  o Trust – IBNR claims liability
• No difficulties encountered
• 2 uncorrected misstatements
  o Cash balance adjustment
  o Capital lease for copiers
• 2 material audit adjustment
• No disagreements with management
• Obtain management representation
• No management consultation with other independent accountants
June 30, 2020 at a Glance

Comprehensive Annual Financial Report (CAFR)
- Unmodified ("clean") opinion
- GFOA Certificate of Excellence – 2019
- ASBO Certificate of Achievement – 2019
- Submit 2020 CAFR for GFOA and ASBO Award Program
- $54.5 million in School Improvement Bonds issued during the fiscal year
- $9.0 million bond issue to refund $10.0 million in school improvement bonds
- $8.5 million decrease in net pension liability

Single Audit Report
- GAS - 1 significant deficiency; 1 material weakness
- UG – Unmodified ("clean") opinion; no matters of noncompliance no control deficiencies
June 30, 2020 at a Glance

- Scottsdale USD Insurance Trust Audit
- Procurement Agreed-Upon Procedures

- Unmodified ("clean") opinion
- 1 material weakness reported
- Required by the Arizona Attorney General
- Procedures performed in accordance with the consent judgement
- No opinion is issued, we perform the agreed-upon procedures and report any findings
- No findings noted
Comprehensive Annual Financial Report (CAFR)

• Unmodified (“clean”) opinion
  – Audit basic financial statements
  – Provide an in-relation-to opinion on the combining and individual nonmajor fund financial statements and schedules
  – Disclaim an opinion on the required supplementary information, introductory section and statistical section
CAFR

• Risk Based Approach
  – Management override of controls
  – Revenue recognition
  – Cash and investments
  – Capital assets
  – Year-end cut-off
Single Audit

• *Government Auditing Standards*
  Report – Report on internal controls; do not provide an opinion
  – 1 material weakness
  – 1 significant deficiency
Single Audit Report

- Report on compliance for each major program, on internal control over compliance and the schedule of federal expenditures
  - Provide an opinion on compliance
  - Do not provide an opinion on controls, but report on controls
  - Provide an in-relation-to opinion on the schedule of federal expenditures
Single Audit Report

- Major Programs Tested
  - CFDA Numbers 10.553, 10.555, and 10.559 – Child Nutrition Cluster
    - $3,431,536 in federal expenditures
  - CFDA Number 84.425 – Elementary and Secondary School Emergency Relief
    - $4,826,661
  - Total Coverage: 35%
  - Unmodified ("clean") opinion
  - No significant deficiencies or material weaknesses over compliance
Uniform System of Financial Records (USFR) Questionnaire

- No opinion issued
- 40 Page Yes or No Questionnaire
- Submission to the Arizona Auditor General
- Exceptions noted in:
  - Cash and Revenues
  - Property Control
  - Student Attendance Reporting
  - Transportation Support
Scottsdale USD No. 48 Insurance Trust

- Unmodified ("clean") opinion
  - Audit basic financial statements
  - Disclaim an opinion on the required supplementary information (management’s discussion and analysis)
  - Ending Net Position of $49.5 million; increase of $5.2 million over FY2019
  - $51.9 million in cash and investments
  - 1 material weakness
Procurement Agreed-Upon Procedures

- Tested the following procurements during the period July 1, 2019 to June 30, 2020 for compliance with Arizona Revised Statutes as stipulated in the consent judgement:
  - All major construction projects over $1.0 million
  - All architects and engineers
  - All sole source purchases
  - All emergency purchases
  - All cooperative purchases exceeding $100,000
  - All procurements exceeding $100,000
Procurement Agreed-Upon Procedures

• Results
  – No findings noted
  – 1 major construction projects over $1.0 million
  – No architects or engineers
  – 4 sole source purchases
  – No emergency purchases
  – 51 contracts through 5 cooperative purchases exceeding $100,000
  – 3 procurements exceeding $100,000
Upcoming GASB Pronouncements

**GASB 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. It provides criteria for identifying fiduciary activities, identifies four types of fiduciary funds and provides reporting guidance. The four fiduciary fund types are pension (and other employee benefit) trusts, investment trust funds, private-purpose trust funds and custodial funds.

The Requirements of this statement are effective for reporting periods beginning after December 15, 2018. Implementation of this statement will require a change in terminology from agency funds to custodial funds, along with other potential changes.

**GASB Statement No. 87, Leases** – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a 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, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The Requirements of this statement are effective for reporting periods beginning after December 15, 2019. Based on our preliminary review of this Statement, the standard would require the City to record a liability and an intangible right-to-use lease asset for all non-current (greater than 12 months) leases. There would be little or no change in existing capital leases. The impact of recording the new liabilities on the City’s legal debt margins and coverage calculations would require review and discussion with the City legal, accounting and financial advisors.
Upcoming GASB Pronouncements

GASB Statement 90 - Equity Interest Ownership Issues - The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City should prepare an inventory of its equity holdings to determine if further evaluation is required.

GASB Statement 91 – Conduit Debt Obligations - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The Requirements of this statement are effective for reporting periods beginning after December 15, 2020. This statement will impact the City’s financial statements to the extent of the occurrence of conduit debt obligations.
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