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May 3, 2023

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

In planning and performing our audit of the financial statements of the Masconomet Regional School District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Masconomet Regional School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Masconomet Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Masconomet Regional School District's internal control.

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

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.

We do not consider the following matters to be significant deficiencies or material weaknesses. However, they are matters we want to communicate to you.

GASB Statement No. 87 – Leases

The Governmental Accounting Standards Board, (GASB), issued "GASB Statement No. 87 – Leases", which is effective beginning in the fiscal year ended June 30, 2022. The District implemented this Statement for fiscal year 2022, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and were not required to be reported in the financial statements. 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 deferred inflow of resources.

GASB 87 requires the lease assets and liabilities to be reported in the financial statements, and also the notes to the financial statements should include a description of leasing arrangements and the amount of lease assets and liabilities recognized.

We recommend that the District prepare a lease spreadsheet, each year, that includes a description of any leases the District has entered into, the effective dates of each lease, the payment terms and amounts, maturity dates and interest rates (if available), and any other pertinent information relating to the leases.

Single Audit Act and Uniform Guidance

During the fiscal year ended June 30, 2022, the requirements relating to the Single Audit Act were in effect for the District. The Single Audit Act states that if an entity expends more than \$750,000 during a fiscal year, an audit needs to be performed in accordance with the Single Audit Act requirements.

Several years ago, the OMB published its comprehensive overhaul of federal grant administrative, cost accounting, and audit policies in the Federal Register. This final guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), supersedes and combines the requirements of eight existing OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133). The Uniform Guidance significantly reformed federal grant making to focus resources on improving performance and outcomes with the intent to reduce administrative burdens for grant applicants and recipients and reduce the risk of waste, fraud, and abuse.

The Uniform Guidance is a substantial document that addresses (among many other topics) cost principles, internal controls, procurement requirements and audit requirements.

An important area that the Uniform Guidance addresses, relates to the requirement that the internal control policies and procedures relating to federal funds must be documented and it must be in writing. During the fiscal year ended June 30, 2022, the District did prepare a comprehensive Internal Control Document relating to the federal grant policies and procedures that has been prepared in compliance with the Uniform Guidance requirements. It is important to review this document each year to make any changes that may be needed to comply with the Uniform Guidance.

We recommend that the District review the requirements relating to the Uniform Guidance each year to be sure the guidelines are being followed.

Preparation of the Schedule of Expenditures of Federal Award Programs

During a fiscal year when the District expends more than \$750,000 in federal funds, it is subject to Single Audit requirements established by the Office of Management and Budget (OMB) and it must be in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). As part of those requirements, the District is required to prepare a Schedule of Expenditures of Federal Award Programs (SEFA). To meet this reporting requirement, the following information is necessary:

- Detailed information on all Federal Awards received. This includes Federal Awards received that have been passed through the State or other governing bodies.
- The Agency in which the funds were received from.
- The Catalog of Federal Domestic Assistance number (CFDA #) for each grant.
- The amount of funds expended in the fiscal year under audit.
- The pass-through entity identifying number and the grant year in which the federal expenditures relate, if the funds were passed through another governing body and not directly received from the Federal government.
- The amount passed through to any sub-recipients, if applicable.

It is important that the District have procedures in place each year to compile this data so that an error or omission in the Schedule of Expenditures of Federal Awards does not occur. For the fiscal year ended June 30, 2022, the District did have procedures in place so that this report could be properly prepared.

Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, Leases. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The District has included the required changes relating to GASB 87 in the fiscal year ended June 30, 2022 financial statements.

In June 2018, the GASB issued GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District's financial statements

Future Year Implementations -

In May 2019, the GASB issued GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, Compensate Absences. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The District is currently evaluating whether adoption will have a material impact on the financial statements.

Student Activity Accounts

Student Activity audits are required to be performed for the District’s Student Activity funds, in accordance with the “Agreed Upon Procedures and Audit Guidelines for Student Activity Funds”, promulgated by the Massachusetts Department of Elementary and Secondary Education (ESE).

Our firm has been engaged to perform an independent audit of the District’s Student Activity funds for the fiscal year ending June 30, 2022. During this audit, we will look at the procedures that are currently in place in fiscal year 2022 and make any recommendations that come to our attention during this review.

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This communication is intended solely for the information and use of management, and those charged with governance, and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you. We would like to thank you for the cooperation and courtesy extended to us during the course of the engagement.

Very Truly Yours,

James J. Giusti

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