

October 8, 2021

CONFIDENTIAL

The Board of Education  
City School District of Albany:

We have completed our audit of the financial statements of the City School District of Albany (the District) for the year ended June 30, 2021. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comment and recommendation based upon observations made during our audit.

This report is intended solely for the information and use of the Board of Education, management and others within the District.

Accounting for Leases

Under current guidance, leases are classified as either capital or operating depending on whether the lease meets any of four tests. In many cases, this results in reporting lease transactions differently than similar nonlease financing transactions. Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," which becomes effective for the District's fiscal year beginning July 1, 2021, requires 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

We recommend that the District gain an understanding of this Statement, develop a plan to fully review all current lease agreements, and to document the accounting treatment of each lease under this Statement to minimize any difficulties at the time of implementation. Proper documentation will also assist in the accounting and reporting for future periods.

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We take this opportunity to thank the staff of the City School District of Albany for the courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

*EFPR Group, CPAs, PLLC*

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