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Required Communication with Board of Education

Board of Education

Unatego Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unatego Central School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *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 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Unatego Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Unatego 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 for Postemployment Benefits Other Than Pension*, requires significant actuarial estimates to calculate the District's postemployment benefits liability.
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 the accounting estimates were 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. The attached schedule summarizes corrected misstatements of the financial statements.

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 15, 2018.

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 Unatego 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 Unatego 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 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 information and use of the Board of Education and management of the Unatego 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 15, 2018

Rome, New York

**UNATEGO CENTRAL SCHOOL DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018**

A. Summary Warrant Report Approval

Summary Warrant Reports are to be approved, initialed and dated, by the Treasurer prior to the checks being sent out. Eight out of the thirty tested across all funds seven were not dated and one was not initialed or dated.

We recommend that the Treasurer ensure that they review, sign off and date each warrant report prior to the checks being mailed to ensure accuracy of the disbursements.

B. Payroll Rate Change

During review of employee hourly wage rates, D&C noted that an employee was paid at the wrong hourly rate (\$1/ hour more than the approved amount) beginning 7/1/2017 through 5/17/2018. As of 5/17/2018, this resulted in a total overpayment to the employee of \$1,147.50.

As there is already a check in place for the Treasurer to review all payroll increases, we recommend that a second review is completed after all increases have been placed into the computer by the Treasurer or another individual separate of the entering process. We also strongly encourage the review of a payroll change report periodically by the Treasurer.

C. Federal Uniform Guidance Policies and Procedures

The District currently has effective procedural controls in place over the management of Federal awards as concluded through the testing of grant expenditures. However, key changes under the Uniform Guidance expanded the rules regarding the documentation of internal controls over Federal Awards to require that they be documented in writing in the District's policies and that management should evaluate and document the results of ongoing monitoring to identify internal control issues. The written internal controls should specifically address each of the applicable twelve (12) compliance requirements of the Federal award programs.

On December 26, 2014 the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, more commonly referred to as the "Uniform Guidance," became effective for all Federal awards, whether the funds are provided directly from a Federal agency or passed-through another state or local agency.

On May 17, 2017, the Office of Management and Budget extended the implementation date for the procurement standards for nonfederal entities and is now effective for the grant year ended June 30, 2019.

The District should document policies and procedures in accordance with the new Uniform Guidance. This should include monitoring procedures to ensure that internal controls over compliance are working effectively.

**UNATEGO CENTRAL SCHOOL DISTRICT
PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
June 30, 2018**

A. User Access to Financial Software

The user access report for the nVision accounting software is not generated and reviewed by an independent individual. Also, we noted that certain individuals that have access to the District's module should be disabled, and other user's access should be limited to areas that pertain to each individual's job responsibilities in order to maintain proper segregation of duties. For example, noted that Business Manager has access to Human Resource Module as well as Payroll Module. In addition, this user is charged with the duty of reviewing Journal entries on a monthly basis but also has access to post journal entries.

We recommend that management periodically review user access rights reports and make any necessary changes. In addition, formal review of user access and permissions should be signed off by an independent person and the documentation should be retained. Also, we recommend that the District implement a more defined process of tracking information that is submitted to the administrator of the software for processing any changes. This can be done by using formal forms that are authorized by the designated individual(s) and transmitted to the software administrator(s) instead of relying on verbal communication.

Status: Issue remains in the current year, former employee rights still remained enabled after termination.

B. Bank Reconciliation

We noted during our audit that unopened bank statements are directed to the Shared Business office by the District Treasurer for the reconciliation process.

We recommend that upon receipt of the bank statements by the District, it should be directed to a member of management such as the Business Manager. This person would review the bank statements and canceled check images for any strange or unusual items and investigate these items, should any be found. Documentation of their review should be made on the face of the bank statements. Upon completion of this step, the statements than can be forwarded to the Shared Business office. This practice will provide a very strong check and balance on the internal controls over cash.

Status: Not noted in the current year.

C. Internal Controls: Payroll

We noted during our audit that salary notices were not generated nor signed by the employees. Also, Payroll Comparison Reports are run every payroll and are reviewed; however, there is not documentation that the review has taken place. Therefore, due to the lack of documentation, we cannot put reliance on this control.

We recommend that at the beginning of the fiscal year or for any subsequent changes, District should notify employees of their rates and have them sign the form and return to the Business Office. This form should than be filed and retained in the employee file. In addition, we recommend that Payroll Comparison reports should have signature or initials of the individual that performed the review. This will demonstrate that any payroll changes made were appropriate and accurate.

Status: Salary notices are still not being generated for employees.

(Continued)

**UNATEGO CENTRAL SCHOOL DISTRICT
PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
June 30, 2018**

D. Procurement Policy

It was noted that the District has not adopted any policy regarding quote threshold requirements. The policy should incorporate GML 104 (b) regulation regarding quotation limits to ensure District is in compliance with regulations.

We recommend that the District adopt a policy that in in compliance with GML 104 (b) requirement and proper quotes are obtained for any goods or service purchase that are not subject to competitive bidding requirement.

Status: There has been a procurement policy adoption during the current year. They are still lacking in other guidance, refer to the current year finding "C" for Uniform Guidance.

E. Budget Transfers for Interfund Transactions

It was noted that the District voters have approved interfund transfer from the General fund to School lunch fund in the amount of \$30,000. Actual transfer was \$40,500. Therefore, actual transfer exceeded voter approved transfer by \$10,500.

We recommend that the District in the future should not exceed the voter approved amount for interfund transfers. In addition, District should be careful not to process a budget transfer from contingent versus non contingent budget lines.

Status: Although in the current year there was not a direct budget transfer, the District paid the School Lunch fund through an invoice from the General Fund.

Client: **86295 - Unatego Central School District**
 Engagement: **2018 FS - Unatego CSD**
 Period Ending: **6/30/2018**
 Trial Balance: **3600.00 - TB**
 Workpaper: **3400.05 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Account for Olego Elementary building closing by reclassifying asset as held for sale				
GW 0107	Asset Held for Sale		300,001.00	
GW 0112	Buildings- Acc Depr		1,045,672.00	
GW 0113	Improv Other than Bldg- Acc Depr		90,683.00	
GW 0114	Equipment- Acc Depr		162,187.00	
GW 2775	Impairment Loss		775,963.00	
GW 0101	Land			21,150.00
GW 0102	Buildings			2,073,225.00
GW 0103	Improvements Other than Buildings			97,952.00
GW 0104	Equipment			182,179.00
Total			2,374,506.00	2,374,506.00
Adjusting Journal Entries JE # 2				
GASB 34- to record payment on serial bonds				
GW 0628	Bonds Payable		1,990,000.00	
GW 9711-600	Serial Bonds Principal- Sch Const			1,990,000.00
Total			1,990,000.00	1,990,000.00
Adjusting Journal Entries JE # 3				
GASB 34- to adjust accrued interest to current year's calculation				
GW 9711-700	Serial Bonds Interest- Sch Const		192.00	
GW 0651	Accrued Interest Payable			192.00
Total			192.00	192.00
Adjusting Journal Entries JE # 4				
to record DASNY Partial Refunding				
V 1380.4	Fiscal Agent Fees(Cost of Issuance)		127,612.00	
V 9991.4	Payments to Escrow Agent		5,230,285.00	
V 2710	Premium On Obligations			762,897.00
V 5791	Proceeds of Refunding Bond			4,595,000.00
Total			5,357,897.00	5,357,897.00
Adjusting Journal Entries JE # 5				
To adjust USDA commodities value to actual				
C 446	INVENTORY-FOOD		141.00	
C 446.1	INVENTORY-USDA		741.00	
C 2860.410	FOOD PURCHASES			141.00
C 2860.411	FOOD - COMMODITIES			741.00
Total			882.00	882.00
Adjusting Journal Entries JE # 6				
reclass entry for depreciation on Fixed Assets				
GW 0114	Equipment- Acc Depr		955,029.00	
GW 0112	Buildings- Acc Depr			885,470.00
GW 0113	Improv Other than Bldg- Acc Depr			69,559.00
Total			955,029.00	955,029.00
Adjusting Journal Entries JE # 7				
Fixed Asset Additions				
GW 0102	Buildings		50,000.00	
GW 0104	Equipment		102,742.00	
GW 1620-200	Operations of Plant- Equipment			152,742.00
Total			152,742.00	152,742.00
Adjusting Journal Entries JE # 8				
GW GASB 68 ERS Adjustment				
GW 0496	Deferred Outflows of Resources, Pensions		124,532.00	
GW 0638	Nat Pension Liability- Proportional Share		404,000.00	
GW 9010-800	Pension Expense- ERS		29,373.00	
GW 0497	Deferred Outflows- Contributions Subsequent to Measurement Date			4,362.00
GW 0697	Deferred Inflows of Resources, Pension			553,543.00
Total			557,905.00	557,905.00
Adjusting Journal Entries JE # 9				
GW Fixed Assel Deletions				
GW 0114	Equipment- Acc Depr		284,548.00	
GW 2775	Impairment Loss		34,284.00	
GW 0104	Equipment			318,832.00
Total			318,832.00	318,832.00
Adjusting Journal Entries JE # 10				

GASB 68 TRS Adjustment			
GW 0108	Net Pension Asset- Proportionate Share	302,143.00	
GW 0638	Net Pension Liability- Proportionate Share	443,746.00	
GW 9020-800	Pension TRS	173,979.00	
GW 0496	Deferred Outflows of Resources, Pensions		100,288.00
GW 0497	Deferred Outflows- Contributions Subsequent to Measurement Date		142,351.00
GW 0697	Deferred Inflows of Resources, Pension		677,229.00
Total		<u><u>919,888.00</u></u>	<u><u>919,888.00</u></u>
Adjusting Journal Entries JE # 11		5200.21	
GW Compensated Absences Entry			
GW 9098-900	Employee Benefits Allocation	32,896.00	
GW 0687	Compensated Absences		32,896.00
Total		<u><u>32,896.00</u></u>	<u><u>32,896.00</u></u>
Adjusting Journal Entries JE # 14		1215.70	
GW Depreciation Expense Allocation			
GW 1999-300	General Support- Depreciation	206,408.00	
GW 2999-300	Instruction- Depreciation	975,250.00	
GW 5599-300	Transportation- Depreciation	74,824.00	
GW 6999-300	School Lunch- Depreciation	18,750.00	
GW 0112	Buildings- Acc Depr		841,969.00
GW 0113	Improv Other than Bldg- Acc Depr		61,382.00
GW 0114	Equipment- Acc Depr		371,881.00
Total		<u><u>1,275,232.00</u></u>	<u><u>1,275,232.00</u></u>
Adjusting Journal Entries JE # 15		4100.50	
To correct TE/TN balances			
TE 201.22	CASH/DR. SUTTON (SAVINGS)	20.00	
TE 92.22	DR. SUTTON (SAVINGS)EXPEND. TRUST		20.00
Total		<u><u>20.00</u></u>	<u><u>20.00</u></u>
Adjusting Journal Entries JE # 16		5300.10	
conversion entry - to account for 2017 advance refunding			
GW 0628	Bonds Payable	170,000.00	
GW 1999-100	General Support- Other	127,612.00	
GW 480	Deferred Cost of Advanced Refunding	465,285.00	
GW 0629	Premium on Debt		762,897.00
Total		<u><u>762,897.00</u></u>	<u><u>762,897.00</u></u>
Adjusting Journal Entries JE # 17		5300.81	
GW entry: to amortize deferred premium and charges on advance refunding			
GW 0629	Premium on Debt	95,363.00	
GW 480	Deferred Cost of Advanced Refunding		58,158.00
GW 9719-700	Serial Bonds Interest- Other		37,205.00
Total		<u><u>95,363.00</u></u>	<u><u>95,363.00</u></u>
Adjusting Journal Entries JE # 18		7900.15	
To adjust extraclassroom balance to actual			
TA 204	CASH IN EXTRA CLASSROOM ACCOUNTS	32.00	
TA 228	EXTRA CLASSROOM		32.00
Total		<u><u>32.00</u></u>	<u><u>32.00</u></u>
Adjusting Journal Entries JE # 19		5200.40	
Conversion entry to record prior period adjustment due to GASB 75			
GW 0913	Prior Period Adjustment- Pensions	9,397,724.00	
GW 0683	OPEB Liability		9,397,724.00
Total		<u><u>9,397,724.00</u></u>	<u><u>9,397,724.00</u></u>
Adjusting Journal Entries JE # 20		5200.40	
Conversion entry to record deferred inflows of resources for OPEB GASB 75 and current year amortization			
GW 0683	OPEB Liability	102,952.00	
GW 0691	Deferred Inflows of Resources, OPEB		90,242.00
GW 9098-900	Employee Benefits Allocation		12,710.00
Total		<u><u>102,952.00</u></u>	<u><u>102,952.00</u></u>
Adjusting Journal Entries JE # 21		5200.40	
conversion entry to record CY OPEB expense under GASB 75			
GW 9098-900	Employee Benefits Allocation	1,975,854.00	
GW 0683	OPEB Liability		1,975,854.00
Total		<u><u>1,975,854.00</u></u>	<u><u>1,975,854.00</u></u>
Adjusting Journal Entries JE # 22		5200.40	
Conversion entry to reduce OPEB expense by CY contributions under GASB 75 booked in the fund statements.			
GW 0683	OPEB Liability	488,378.00	
GW 9098-900	Employee Benefits Allocation		488,378.00
Total		<u><u>488,378.00</u></u>	<u><u>488,378.00</u></u>
Adjusting Journal Entries JE # 23		1215.70	
GW employee benefit allocation			
GW 1999-900	General Support- Employee Benefit Allocation	1,008,058.00	

GW 2999-900	Instruction- Employee Benefit Allocation	4,762,945.00	
GW 5599-900	Transportation- Employee Benefit Allocation	365,429.00	
GW 6999-900	School Lunch- Employee Benefit Allocation	91,573.00	
GW 9098-900	Employee Benefits Allocation		6,228,005.00
Total		<u>6,228,005.00</u>	<u>6,228,005.00</u>
	Total Adjusting Journal Entries	<u>32,987,206.00</u>	<u>32,987,206.00</u>
	Total All Journal Entries	<u>32,987,206.00</u>	<u>32,987,206.00</u>