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Communication with Those Charged with Governance at the Conclusion of the Audit

To the Board of Education
Morrisville-Eaton Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morrisville-Eaton 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*, 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 17, 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 Morrisville-Eaton Central School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Morrisville-Eaton Central School District changed accounting policies related to the accounting and determination of liability for Other Postemployment Benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities. We noted no transactions entered into by the governmental unit 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 estimate(s) affecting the Morrisville-Eaton Central School District's financial statements were:

1. The District, in accordance with GASB No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires significant actuarial estimates to calculate the District's postemployment benefits liability.
2. The District's estimate of its compensated absences and tax certiorari liabilities.
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.

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. 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 Summary of Audit Differences summarizes the uncorrected misstatement of the financial statements. In addition, the attached schedules of Audit Adjustments represent corrected misstatements.

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 19, 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 Morrisville-Eaton 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 Morrisville-Eaton 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. During our audit, we noted the matter listed on the attached Schedule of Audit Issues. We do not consider this matter to be significant or material, but we do consider it a matter that management and the Board should be aware of.

Other Matters

We were engaged to report on other 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.

We were not engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education, Administration of the Morrisville-Eaton 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 19, 2018

Rome, New York

MORRISVILLE-EATON CENTRAL SCHOOL DISTRICT

SUMMARY OF AUDIT DIFFERENCES

June 30, 2017

Statement of Activities Misstatements	Current Year Over (Under) Statement
	\$ _____
Cumulative effect (before effect of prior year differences)	\$ _____ 0
Effect of unadjusted audit differences—prior year:	
<u>Accrued interest on Bus Bond Anticipation Note</u>	_____ 5,113
Cumulative effect (after effect of prior year differences)	\$ _____ 5,113
 Reclassification adjustments:	 \$ _____ 0
Statement of financial position misstatements (including reclassifications):	
Total assets	\$ _____ 0
Total liabilities	_____ 0
Net assets:	
Beginning	_____ 5,113
Ending	\$ _____ 0

MORRISVILLE-EATON CENTRAL SCHOOL DISTRICT

SCHEDULE OF AUDIT ISSUES

For the Year Ended June 30, 2018

2018-001 Federal Uniform Guidance Policies and Procedures

Condition: 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.

Criteria: 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.

Recommendation: 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.

Client: **59190 - Morrisville-Eaton Central School District**
Engagement: **2018 - Morrisville-Eaton Central School District**
Period Ending: **6/30/2018**
Trial Balance:
Workpaper: **1400.16 - Audit Adjustments**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
GW - To record cumulative effect for the implementation of GASB 75, OPEB			
GW 0911	Unappropriated Fund Balance	21,193,069.00	
GW 0689-000	OTHER LONG TERM DEBT EXPENSE-OPEB		21,193,069.00
Total		21,193,069.00	21,193,069.00
Adjusting Journal Entries JE # 2			
GW - To record OPEB activity for the current year			
GW 9089-000	OTHER OPEB EXPENSE	672,893.00	
GW-C00-10-0495-00C	Deferred Outflows of Resources, OPEB	388,704.00	
GW 0689-000	OTHER LONG TERM DEBT EXPENSE-OPEB		1,061,597.00
Total		1,061,597.00	1,061,597.00
Adjusting Journal Entries JE # 3			
GW - To record TRS pension activity.			
GW-C00-10-0108-00C	Net Pension Asset - Proportionate Share	204,695.00	
GW-C00-20-0638-00C	Net Pension Liability - Proportionate Share	295,229.00	
GW-C00-60-9020-80C	Pension Expense - TRS	107,782.00	
GW-C00-10-0496-00C	Deferred Outflows - Pensions		65,691.00
GW-C00-10-0496-00C	Deferred Outflows - Pensions		76,562.00
GW-C00-20-0697-00C	Deferred Inflows - Pensions		465,453.00
Total		607,706.00	607,706.00
Adjusting Journal Entries JE # 4			
GW - To record ERS activity			
GW-C00-10-0496-00C	Deferred Outflows - Pensions	3,604.00	
GW-C00-10-0496-00C	Deferred Outflows - Pensions	189,919.00	
GW-C00-20-0638-00C	Net Pension Liability - Proportionate Share	415,437.00	
GW-C00-20-0697-00C	Deferred Inflows - Pensions		606,591.00
GW-C00-60-9010-80C	Pension Expense - ERS		2,369.00
Total		608,960.00	608,960.00
Adjusting Journal Entries JE # 5			
GW - To account for principal paid on bonds			
GW 0623	Term Bonds Payable	1,456,000.00	
GW 9710-600	Serial Bonds Principal-Public Library		1,456,000.00
Total		1,456,000.00	1,456,000.00
Adjusting Journal Entries JE # 6			
GW - To adjust accrued bond interest to actual			
GW 0601	Accrued Liabilities	10,136.00	
GW 9789-700	Other Debt Interest		10,136.00
Total		10,136.00	10,136.00
Adjusting Journal Entries JE # 7			
GW - To amortize deferred charge on bond refunding and premium			
GW 0623.1	Unamortized Premium on Bonds	27,188.00	
GW 9789-700	Other Debt Interest	779.00	
GW 0110	BOND ISSUANCE PREPAID AMORTIZATION		27,967.00
Total		27,967.00	27,967.00
Adjusting Journal Entries JE # 8			
GW - To eliminate deferred excess tax from the prior year			
GW-40-1001	Real Property Tax Revenue	43,467.00	
GW 0695	Deferred Revenue - Excess Tac		43,467.00
Total		43,467.00	43,467.00

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 9			
GW - To adjust to actual			
GW 0687	Compensated Absences	7,429.00	
GW 2999-100	Instruction - Other		7,429.00
Total		7,429.00	7,429.00
Adjusting Journal Entries JE # 10			
GW - To allocate employee benefits to functions			
GW 1999-900	General Support - Employee Benefit Allocation	583,739.00	
GW 2999-900	Instruction - Employee Benefit Allocation	3,894,977.00	
GW 5599-900	Transportation - Employee Benefit Allocation	603,802.00	
GW 6999-900	School Lunch - Employee Benefit Allocation	155,088.00	
GW 9098-900	Employee Benefits Allocation		5,237,606.00
Total		5,237,606.00	5,237,606.00
Adjusting Journal Entries JE # 11			
GW - To record Fixed asset additions			
GW 0104	Equipment	401,785.00	
GW 0105	Construction Work in Progress	1,536,521.00	
GW 1620-200	Operations of Plant-Equipment	528.00	
GW 0101	Land		528.00
GW 2110-200	Teaching Reg School-Equipment		1,679,282.00
GW 5511-210	Dist. Transportation-Buses		259,024.00
Total		1,938,834.00	1,938,834.00
Adjusting Journal Entries JE # 12			
GW - To record asset deletions			
GW 0114	Equipment - Acc Depr	350,086.00	
GW 0104	Equipment		350,086.00
Total		350,086.00	350,086.00
Adjusting Journal Entries JE # 13			
GW - To record depreciation			
GW 1989-300	Depreciation Allocation	218,062.00	
GW 2999-300	Instruction - Depreciation	791,878.00	
GW 5599-300	Transportation - Depreciation	87,416.00	
GW 6999-300	School Lunch - Depreciation	39,929.00	
GW 0112	Buildings - Acc Depr		732,214.00
GW 0113	Improv other than Bldg - Acc Depr		741.00
GW 0114	Equipment - Acc Depr		404,330.00
Total		1,137,285.00	1,137,285.00