

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, 2019. 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 June 12, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted and the application of existing policies was not changed during 2019. 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. The attached schedules of Audit Adjustments represent corrected misstatements. There were no uncorrected 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 November 1, 2019.

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 matters listed on the attached Schedule of Audit Issues. We do consider matter 2019-01 to be material. Also we do not consider matter 2018-01 to be significant or material, but we do consider it a matter that management and the Board should be aware of.

Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, the Schedule of Funding Progress of the Other Postemployment Benefits, the Schedule of Local Government Contributions, and the Schedule of the Local Government's Proportionate Share of the Net Pension Liability, which are 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.

In addition, we have enclosed a memorandum summarizing matters involving the internal control structure and its operations that we feel can be improved and strengthened.

We were engaged to report on the supplementary information accompanying the financial statements but which 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 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

November 1, 2019

Rome, New York

MORRISVILLE-EATON CENTRAL SCHOOL DISTRICT

SCHEDULE OF AUDIT ISSUES

For the Year Ended June 30, 2019

2019-01 Budget Compliance and Controls

Condition: The budget for the 2018-2019 fiscal year was approved by the voters and the Board of Education in May of 2018. Part of the basis for this approval was the required three-part budget that detail the components of the budget between the program, capital, and administration categories. Although total of the budget was the same, there were significant transfers made without Board approval prior to entering the budget in to the District's accounting program. These transfers totaled \$384,680. The most significant transfer was \$288,097 from debt service appropriation for bond anticipation notes partially to increase employee benefits appropriations by \$233,089. Subsequently, in May of 2019, the debt service appropriations were replenished with a Board approved amendment to the budget for \$317,171 financed with an additional transfer from the Debt Service Fund.

Criteria: "No board of education shall incur a district liability in excess of the amount appropriated by district meeting unless such board is specially authorized by law to incur such liability." (Education Law, §1718).

Cause: Unknown

Effect or Potential Effect: There is an increased risk of noncompliance with the State Education Laws and exceeding the voter and Board authorized budget.

Known Questioned costs: \$ 0

Repeat Finding: No.

Recommendation: The District must implement and maintain controls whereby appropriations and actual expenditures are monitored for compliance with overall and administrative component caps when administering a contingent budget. The District's controls should ensure the Board and voter approved budget is utilized and no appropriation transfers are approved from areas with remaining anticipated expenditures. The District may be required to present evidence that these monitoring controls are in place and operating as designed. Such controls may be integrated into existing accounting and reporting systems or built-on to existing systems, such as through the use of spreadsheet or database applications software.

MORRISVILLE-EATON CENTRAL SCHOOL DISTRICT

STATUS OF PRIOR YEAR AUDIT ISSUES

For the Year Ended June 30, 2019

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.

Status: Not implemented during the year ended June 30, 2019. Management is in the process of developing the appropriate policies and procedures.

Client: **59190 - Morrisville-Eaton Central School District**
Engagement: **2019 - Morrisville-Eaton Central School District**
Period Ending: **6/30/2019**
Workpaper: **1400.16 - Audit Adjustments**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust compensated absence balance to actual.			
GW 2999-100	Instruction - Other	27,412.00	
GW 0687	Compensated Absences		27,412.00
Total		27,412.00	27,412.00
Adjusting Journal Entries JE # 2			
To include Extraclassroom			
TA 200	KEY BANK T&A CASH ACCOUNT	31,285.00	
TA 0085	Extraclassroom Activity Balances		31,285.00
Total		31,285.00	31,285.00
Adjusting Journal Entries JE # 3			
To record fixed asset additions			
GW 0104	Equipment	421,292.00	
GW 0105	Construction Work in Progress	6,283,587.00	
GW 1620-200	Operations of Plant-Equipment		795,167.00
GW 2110-200	Teaching Reg School-Equipment		5,601,296.00
GW 5510-200	Dist Transportation(Med)-Equipment		308,416.00
Total		6,704,879.00	6,704,879.00
Adjusting Journal Entries JE # 4			
To record fixed asset disposals			
GW 0114	Equipment - Acc Depr	270,721.00	
GW 0104	Equipment		270,721.00
Total		270,721.00	270,721.00
Adjusting Journal Entries JE # 5			
To record depreciation for fixed assets			
GW 1989-300	Depreciation Allocation	109,507.00	
GW 2999-300	Instruction - Depreciation	397,667.00	
GW 5599-300	Transportation - Depreciation	43,899.00	
GW 6999-300	School Lunch - Depreciation	20,052.00	
GW 0112	Buildings - Acc Depr		332,990.00
GW 0113	Improv other than Bldg - Acc Depr		706.00
GW 0114	Equipment - Acc Depr		237,429.00
Total		571,125.00	571,125.00
Adjusting Journal Entries JE # 6			
To record retainage payable			
GW 0105	Construction Work in Progress	299,458.00	
GW 605	Retainage Payable		299,458.00
Total		299,458.00	299,458.00
Adjusting Journal Entries JE # 7			
To record proportionate share of NYSERS			
GW-C00-10-0108-00C	Net Pension Asset - Proportionate Share	275,183.00	
GW-C00-10-0496-00C	Deferred Outflows - Pensions	64,180.00	
GW-C00-10-0496-00C	Deferred Outflows - Pensions		207,715.00
GW-C00-20-0697-00C	Deferred Inflows - Pensions		35,171.00
GW-C00-60-9020-80C	Pension Expense - TRS		96,477.00
Total		339,363.00	339,363.00

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 8			
To record proportionate share of NYSTRS			
GW-C00-20-0697-00C	Deferred Inflows - Pensions	558,815.00	
GW-C00-60-9010-80C	Pension Expense - ERS	36,583.00	
GW-C00-10-0496-00C	Deferred Outflows - Pensions		751.00
GW-C00-10-0496-00C	Deferred Outflows - Pensions		332,334.00
GW-C00-20-0638-00C	Net Pension Liability - Proportionate Share		262,313.00
Total		595,398.00	595,398.00
Adjusting Journal Entries JE # 9			
To record bond payments			
GW 0623	Term Bonds Payable	1,465,000.00	
GW 9710-600	Serial Bonds Principal-Public Library		1,465,000.00
Total		1,465,000.00	1,465,000.00
Adjusting Journal Entries JE # 10			
To adjust accrued interest on bonds			
GW 0601	Accrued Liabilities	4,299.00	
GW 9789-700	Other Debt Interest		4,299.00
Total		4,299.00	4,299.00
Adjusting Journal Entries JE # 11			
To amortize deferred charges on advance refunding and bond premiums			
GW 0623.1	Unamortized Premium on Bonds	27,188.00	
GW 9789-700	Other Debt Interest	778.00	
GW 0110	BOND ISSUANCE PREPAID AMORTIZATION		27,966.00
Total		27,966.00	27,966.00
Adjusting Journal Entries JE # 12			
To record current year changes to OPEB liability and deferrals			
GW 0689-000	OTHER LONG TERM DEBT EXPENSE-OPEB	1,166,258.00	
GW 9089-000	OTHER OPEB EXPENSE	764,082.00	
GW-C00-10-0495-00C	Deferred Outflows of Resources, OPEB	788,625.00	
GW-C00-20-0695-00C	Deferred Inflows - OPEB		2,718,965.00
Total		2,718,965.00	2,718,965.00
Adjusting Journal Entries JE # 13			
To allocate employee benefits			
GW 1999-900	General Support - Employee Benefit Allocation	547,974.00	
GW 2999-900	Instruction - Employee Benefit Allocation	3,959,987.00	
GW 5599-900	Transportation - Employee Benefit Allocation	621,968.00	
GW 6999-900	School Lunch - Employee Benefit Allocation	148,487.00	
GW 9098-900	Employee Benefits Allocation		5,278,396.00
Total		5,278,396.00	5,278,396.00