

MANAGEMENT COMMENT LETTER

Board of Education
Otselic Valley Central School District
South Otselic, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otselic Valley Central School District (the School District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

MATERIAL NONCOMPLIANCE

Prior Year Findings Resolved

Compliance with Laws and Regulations

Fund Balance Limitation

Finding:

The School District is allowed, under New York State Real Property Tax Law (Code §1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance. At June 30, 2017, the unassigned fund balance was \$527,008 in excess of the allowable amount.

Resolution:

At June 30, 2018, the unassigned fund balance was \$4,653 below the allowable amount.

OTHER MATTERS

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, which provide opportunities for strengthening internal controls and operating efficiency:

Current Year Finding

Extracurricular Appointments

Finding:

During our current year audit, we noted one appointed position approved by the Board without a corresponding stipend defined in the current agreement. School District management was able to verify that the staff member was performing the assigned duties as specified in the original job description.

Recommendation:

We recommend the School District review its extracurricular appointments and ensure positions and related benefits are defined in the School District's current agreements or outlined in the resolutions approving the appointments.

Recurring Findings

Purchasing Policy - Quotes

Finding:

During our current and prior year examination of the cash disbursements cycle, no quote requirements were specified in the School District purchasing policy.

Recommendation:

We continue to recommend requisitions and purchase orders be completed and authorized prior to purchase. We further recommend Claims Auditor's findings be reviewed and a corrective action plan be implemented to reduce the number of errors found during the claims audit process.

Claims Auditor Reports/Purchase Orders

Finding:

During our current and prior year review of Claims Auditor's reports, we noted several instances where requisitions and/or purchase orders were created after the purchase, service, or invoice date. To a lesser degree, instances of incorrect dollar amounts, invoice numbers, account codes, vendors and/or remittance addresses were noted by the Claims Auditor and corrected.

Recommendation:

We continue to recommend requisitions and purchase orders be completed and authorized prior to purchase. We further recommend Claims Auditor’s findings be reviewed and a corrective action plan be implemented to reduce the number of errors found during the claims audit process.

Prior Year Findings Resolved

Use of School Vehicle

Finding:

Per the Superintendent contract, a school vehicle should be used for meetings and conferences whenever possible.

Resolution:

During our current year review of a sample of disbursements, we found no improper use of school vehicles by the Superintendent, or other authorized individuals.

Administrative Expenditures

Findings:

During our prior year audit, we identified administrative disbursements which did not follow School District disbursement policy.

Resolution:

During our current review of expenses, the disbursements examined were in accordance with district policies.

DISCUSSION ITEM

Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The School District is in the process of assessing the future effects of each of the following:

- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements.

- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2021.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

This communication is intended solely for the information and use of management, the Audit Committee, the Board of Education, and others within the School District, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 25, 2018