

## **MANAGEMENT COMMENT LETTER**

Board of Education  
Spencer-Van Etten Central School District  
Spencer, 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 Spencer-Van Etten Central School District (the School District) as of and for the year ended June 30, 2017, 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 our auditing procedures 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 preceding 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.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our current and prior year comments and recommendations regarding these matters.

### **Current and Prior Year Findings**

#### **OTHER MATTER**

##### School Lunch Deficit Fund Balance

###### Finding:

During our current and prior year audits, the School Lunch Fund ended the fiscal year with deficit unassigned fund balances of \$(3,713) and \$(5,193), respectively. These deficits are the result of expenses consistently exceeding revenues. For the year ended June 30, 2017, expenditures exceeded revenues by \$53,970. An interfund transfer from the General Fund of \$50,000 brought the net change in fund balance to \$(3,970) for the current year.

**Recommendation:**

We continue to recommend School District Management monitor School Lunch Fund operating results compared to budget, and develop a plan to increase revenue over expenditures to replenish the deficit.

**Resolved Finding**

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 subsequent year's budget in unassigned fund balance. At June 30, 2016, the School District's unassigned fund balance was not in compliance with the allowable amount.

**Resolution:**

At June 30, 2017, the School District's unassigned fund balance was in compliance with the allowable limit.

**Discussion Items**

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. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- 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. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

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

This letter does not affect our report dated October 12, 2017 on the basic financial statements of the Spencer-Van Etten Central School District.

We would like to take this opportunity to express our appreciation to the Spencer-Van Etten Central School District's management and staff for their time and cooperation in aiding us in our audit work. Their assistance resulted in an expedient and efficient audit process.

This communication is intended solely for the information and use of management, Audit Committee, the Board of Education, the New York State Department 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  
October 12, 2017