

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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Communication with Those Charged With Governance

To the Board of Education
Sidney Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney 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, if applicable, *Government Auditing Standards*, and 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 June 1, 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 Sidney Central School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to the accounting and determination of the liability for Other Post-Employment 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 Sidney 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 basic financial statements were:

1. The District, in accordance with GASB No. 75, *Accounting and Financial Reporting 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 liability.
3. Estimates involving depreciable lives of the District's capital assets and the related depreciation.
4. Estimated amount of collection in advance.
5. 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. 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.

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 disagreement 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 Sidney 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 Sidney 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 the management's discussion and analysis, the schedule of revenues, expenditures, and changes in the fund balance budget and actual for the general fund, and the schedules of funding progress of the other postemployment benefits, 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.

We were engaged to report on the schedules of change from the original budget to the revised budget, section 1318 of real property tax law limit calculation, the schedule of project expenditures for the capital projects fund, and the net investment in capital assets, 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.

Findings and Recommendations

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. These matters are not considered to be a significant deficiency or a material weakness.

Restriction on Use

This information is intended solely for the use of the Board of Education, Administration of Sidney 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

**SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018**

Other Matters

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.

Effect: The District is more at risk of noncompliance with Federal Grant regulations related to Uniform Administrative Requirements by not having a fully effective procedural controls in place. 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: 77830 - Sidney Central School District
 Engagement: 20180630 - Sidney CSD
 Period Ending: 6/30/2018
 Trial Balance: 3600.00 - TB
 Workpaper: 3400.00 - Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 7				
To expense cash with escrow agent leftover after permanent financing 6/30/2016 with BAN pay off in July 2016				
H 1017.293-04	SMITH SITE DEVELOPMENT./PHASE 2		4,806.00	
H223	CASH WITH FISCAL AGENT			4,806.00
Total			4,806.00	4,806.00
Adjusting Journal Entries JE # 13				
Audit Entry - To adjust BAN interest accrual				
A 9731.700	B.A.N. INTEREST - CAPITALPROJ.2000	5300.15	164,400.00	
A629	BONDS & BOND INT PAYABLE			164,400.00
Total			164,400.00	164,400.00
Adjusting Journal Entries JE # 14				
Audit Entry - To record debt service fund transfer as provided for in the general fund budget				
A391 DEBT	Due From Debt Service Fund		850,000.00	
V9901.9	INTERFUND TRANSFER		850,000.00	
A 5050	INTERFUND TRANSFER FOR DEBT SERVICE			850,000.00
V630	DuetoOtherFunds			850,000.00
Total			1,700,000.00	1,700,000.00
Adjusting Journal Entries JE # 19				
To adjust transfer to Capital Fund - D'Arcangelo did 6/30/2017 and CBO did 7/1/2017				
A 9950.900	TRANSFER TO CAPITAL FUND		926,434.00	
H917.1012	HS PROJECT# - 1012		654,197.00	
H917.1013	HS PROJECT# - 1013		64,407.00	
H917.1014	HS PROJECT# - 1014		9,046.00	
H917.1019	HS PROJECT 1019 Capital Outlay		102,458.00	
H917.6009	MASONVILLE ROOF PROJ FUND BALANCE		100,631.00	
A917	UNASSIGNED FUND BALANCE			926,434.00
H 5031	INTERFUND TRANSFER FROM GENERAL			926,434.00
H917.BUSES	FUND BALANCE BUSES			4,305.00
Total			1,857,173.00	1,857,173.00
Adjusting Journal Entries JE # 20				
CLIENT ENTRY - Recod ck#30749 to an appropriation code				
A 1964..40-0	REFUND OF REAL PROPERTY TAX		5,000.00	
A864	RESERVE FOR TAX CERTIORARI			5,000.00

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 Workpaper: **3400.00 - Adjusting Journal Entries**

Account	Description	W/P Ref	Debit	Credit
Total			<u><u>5,000.00</u></u>	<u><u>5,000.00</u></u>
Adjusting Journal Entries JE # 21				
CLIENT ENTRY - retainage correction booked directly to fund balance				
H917.7015	MS PROJECT# - 7015		12,003.00	
H 7015.296-01	MILLS/PHASE 2/ ELECTRICAL/MS			12,003.00
Total			<u><u>12,003.00</u></u>	<u><u>12,003.00</u></u>

Client: **77830 - Sidney Central School District**
 Engagement: **20180630 - Sidney CSD**
 Period Ending: **6/30/2018**
 Trial Balance: **3600.00 - TB**
 Workpaper: **3400.01 - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 1		4600.10		
GW Entry - Fixed Asset Additions and Deletions				
GW 0102	Buildings		2,726,807.00	
GW 0104	Equipment		724,939.00	
GW 0105	Construction Work in Prog		4,011,783.00	
GW 0114	Equipment - Acc Depr		258,733.00	
GW 9610	Loss on Sale of Property		8,979.00	
GW 0104	Equipment			267,712.00
GW 0114	Equipment - Acc Depr			
GW 1999-200	General Support - Capital Outlay			7,096,160.00
GW 2660	Sale of Equipment			
GW 2999-200	Instruction - Capital Outlay			
GW 5599-200	Transportation - Capital Outlay			367,369.00
GW 6999-200	School Lunch - Capital Outlay			
Total			7,731,241.00	7,731,241.00
Reclassifying Journal Entries JE # 2		4600.10		
GW Entry - Fixed Asset Depreciation and Allocation - Per Client				
GW 1999-700	General Support - Depreciation		427,602.00	
GW 2999-700	Instruction - Depreciation		900,244.00	
GW 5599-700	Transportation - Depreciation		78,793.00	
GW 6999-700	School Lunch - Depreciation		330.00	
GW 0112	Buildings - Acc Depr			802,330.00
GW 0114	Equipment - Acc Depr			604,639.00
Total			1,406,969.00	1,406,969.00
Reclassifying Journal Entries JE # 3		5200.42		
GW Entry - To adjust compensated absences				
GW 0687	Compensated Absences		182,174.00	
GW 2110-150	Teach Reg School-Instruct			182,174.00
Total			182,174.00	182,174.00
Reclassifying Journal Entries JE # 4		5300.05		
GW Entry - Serial Bonds Payment				
GW 0628	Bonds Payable		2,535,000.00	
GW 9711-900	Serial Bond Principal - School Construction			2,535,000.00
Total			2,535,000.00	2,535,000.00
Reclassifying Journal Entries JE # 5		5300.05		
GW Entry - To adjust Interest Accrual on Serial Bonds				
GW 0651	Accrued Interest Payable		4,833.00	
GW 9719-700	Serial Bonds Interest-Oth			4,833.00
Total			4,833.00	4,833.00
Reclassifying Journal Entries JE # 6		5400.00		
GW Entry - To adjust OPEB Liability				
GW 0498	Deferred Outflows -OPEB		57,457.00	
GW 0911.P	Fund Balance Prior Period Adjustment		6,821,158.00	
GW 0689	Other Long Term Debt (OPEB)			10,195.00
GW 0689	Other Long Term Debt (OPEB)			6,821,158.00
GW 9089-900	Other OPEB Expense			47,262.00
Total			6,878,615.00	6,878,615.00
Reclassifying Journal Entries JE # 16		5400.85		
GASB 68- To adjust TRS and ERS per GASB 68 letter				
GW 0108	Net Pension Asset - Proportionate Share		343,665.00	
GW 0496	Deferred Outflows - Pensions		262,002.00	
GW 0638	Net Pension Liability - Proportionate Share		931,848.00	
GW 9020-800	Pension Expense - TRS		138,674.00	
GW 0497	Deferred Outflows - Contributions to Subsequent to Measurement Date			88,914.00
GW 0697	Deferred Inflows - Pensions			1,587,275.00
GW 9020-800	Pension Expense - TRS			

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 Trial Balance: **3600.00 - TB**
 Workpaper: **3400.01 - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Total			1,676,189.00	1,676,189.00
Reclassifying Journal Entries JE # 17		5300		
	to amortize premium on bond			
GW 0629	Premium on Bonds		104,027.00	
GW 9719-700	Serial Bonds Interest-Oth			104,027.00
Total			104,027.00	104,027.00
Reclassifying Journal Entries JE # 18		7500.50		
	To record employee benefits allocation			
GW 1999-800	General Support - Employee Benefit Allocation		553,197.00	
GW 2999-800	Instruction - Employee Benefit Allocation		4,070,017.00	
GW 5599-800	Transportation - Employee Benefit Allocation		275,906.00	
GW 6999-800	School Lunch - Employee Benefit Allocation		173,827.00	
GW 8999-800	Community Service - Employee Benefit Allocation		4,996.00	
GW 9098-900	Employee Benefits Allocation			5,077,943.00
Total			5,077,943.00	5,077,943.00