

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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

To the Board of Education
Arlington Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington 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, *Government Auditing Standards* and the 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 May 17, 2018. 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 Arlington Central School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Arlington Central School District changed accounting policies related to other postemployment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. We noted no transactions entered into by the 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 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 liability.
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.

We evaluated the key factors and assumptions used by management in determining that accounting estimates are reasonable in relation to the financial statements taken as a whole.

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 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 9, 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 Arlington 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 Arlington 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 and other 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 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.

Restriction on Use

This information is intended solely for the use of the Board of Education, management of Arlington 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 9, 2018

Rome, New York

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

1. Material Weakness

None.

2. Significant Deficiencies

None.

3. Other Matters Not Considered Material or Significant

None.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018

1. Material Weakness

None.

2. Significant Deficiencies

None.

3. Other Matters Not Considered Material or Significant

None.

Client: 04391 - Arlington Central School District
Engagement: 2018 FS - Arlington CSD
Period Ending: 6/30/2018
Trial Balance: TB
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
Conversion entry for bond principal payments for the current year.				
GW 0628	Bonds Payable		7,560,000.00	
GW 9711.600	Serial Bonds Principal.School Construction			7,560,000.00
Total			<u>7,560,000.00</u>	<u>7,560,000.00</u>
Adjusting Journal Entries JE # 2				
Conversion entry for accrued interest on serial bonds				
GW 0651	Accrued Interest Payable		51,650.00	
GW 9711.700	Serial Bonds Interest.School Construction			51,650.00
Total			<u>51,650.00</u>	<u>51,650.00</u>
Adjusting Journal Entries JE # 3				
Conversion entry for the CY net change in the GASB 75 OPEB liability				
GW 9060.800	Other OPEB Expense		29,421,658.00	
GW 0683	Other Postemployment Benefits (OPEB)			29,421,658.00
Total			<u>29,421,658.00</u>	<u>29,421,658.00</u>
Adjusting Journal Entries JE # 4				
Conversion entry for current year payments on energy performance contract.				
GW 0685	Lease Payable - EPC		1,155,785.00	
GW 9789.610	Energy Performance Contract Principal			1,155,785.00
Total			<u>1,155,785.00</u>	<u>1,155,785.00</u>
Adjusting Journal Entries JE # 5				
Conversion entry for addition to Construction in Progress.				
GW 0105	Construction Work in Progress		2,576,716.00	
GW 1999.100	General Support. Other			319,421.00
GW 2999.100	Instruction. Other			2,257,295.00
Total			<u>2,576,716.00</u>	<u>2,576,716.00</u>
Adjusting Journal Entries JE # 6				
Conversion entry for current year additions to fixed assets				
GW 0102	Buildings and Improvements		23,388,917.00	
GW 0104	Equipment		2,310,167.00	
GW 0105	Construction Work in Progress			23,388,917.00
GW 1999.200	General Support. Equipment			27,936.00
GW 2999.200	Teach Reg School.Equipment			142,544.00
GW 5999.200	Transportation. Equipment			2,139,687.00
Total			<u>25,699,084.00</u>	<u>25,699,084.00</u>
Adjusting Journal Entries JE # 7				
Conversion entry for current year disposals.				
GW 0114	Equipment. Acc Depr		1,538,783.00	
GW 0104	Equipment			1,538,783.00
GW 0102	Buildings and Improvements			
GW 0112	Buildings. Acc Depr			
GW 1999	LOSS ON DISPOSAL OF EQUIPMENT			
Total			<u>1,538,783.00</u>	<u>1,538,783.00</u>

Adjusting Journal Entries JE # 8

Conversion entry to allocate employee benefits to functions.

GW 1999.900	General Support. Employee Benefit Allocation	6,753,697.00	
GW 2999.900	Instruction. Employee Benefit Allocation	72,547,179.00	
GW 5999.900	Transportation. Employee Benefit Allocation	7,355,213.00	
GW 6999.900	School Lunch. Employee Benefit Allocation	1,000,085.00	
GW 9098.900	Employee Benefits Allocation		87,656,174.00
Total		87,656,174.00	87,656,174.00

1225.55

Adjusting Journal Entries JE # 9

Conversion entry for current year depreciation.

GW 1999.300	General Support. Depreciation	662,541.00	
GW 2999.300	Instruction. Depreciation	4,658,932.00	
GW 5999.300	Transportation. Depreciation	568,302.00	
GW 6999.300	School Lunch. Depreciation	121,044.00	
GW 0112	Buildings. Acc Depr		4,096,224.00
GW 0114	Equipment. Acc Depr		1,914,595.00
Total		6,010,819.00	6,010,819.00

4600.01

Adjusting Journal Entries JE # 10

Conversion entry for current year amortization of deferred charge and bond premiums.

GW 0689	Unamortized Bond Premium	864,452.00	
GW 0489	Deferred Outflow of Resources - Loss on Refunding		320,509.00
GW 9711.700	Serial Bonds Interest.School Construction		543,943.00
Total		864,452.00	864,452.00

5300.30

Adjusting Journal Entries JE # 11

Conversion entry for TRS pension expense for GASB 68

GW 0108	Net TRS Pension Asset - Proportionate Share	3,558,458.00	
GW 0638	Net TRS Pension Liability - Proportionate Share	4,975,944.00	
GW 9020.800	Pension Expense, TRS	1,423,248.00	
GW 0496	Deferred Outflows of Resources, TRS		1,588,169.00
GW 0697	Deferred Inflow of Resources, TRS		8,369,481.00
Total		9,957,650.00	9,957,650.00

5700.00

Adjusting Journal Entries JE # 12

Conversion entry for ERS pension expense for GASB 68.

GW 0496.1	Deferred Outflows of Resources, ERS	2,204,592.00	
GW 0638.1	Net ERS Pension Liability - Proportionate Share	3,824,433.00	
GW 0697.	Deferred Inflow of Resources, ERS		5,804,742.00
GW 9010.800	Pension Expense, ERS		224,283.00
Total		6,029,025.00	6,029,025.00

5700.00

Adjusting Journal Entries JE # 13

Conversion entry to adjust Compensated Absences per reports.

GW 9089.800	Compensated Absence Expense	988,229.00	
GW 0687	Compensated Absences		988,229.00
Total		988,229.00	988,229.00

5600.20

Adjusting Journal Entries JE # 14

Conversion entry to reverse BAN redeemed from appropriations.

GW 5731	BANs Redeemed from Appropriations	2,235,300.00	
GW 9732.610	BAN Principal Paid		2,235,300.00
Total		2,235,300.00	2,235,300.00

Adjusting Journal Entries JE # 15		5600.40		
To record the prior period adjustment for the GASB 75 conversion.				
GW 8012	Prior Period Adjustment	486,122,138.00		
GW 0683	Other Postemployment Benefits (OPEB)		486,122,138.00	
Total		<u>486,122,138.00</u>	<u>486,122,138.00</u>	
Adjusting Journal Entries JE # 108		4100.02		
To correct Extra Classroom Cash Balances				
T08510	EXTRACCLASS ACTIVITIES	1,754.00		
T20004	CASH IN EXTRACCLASS		1,754.00	
Total		<u>1,754.00</u>	<u>1,754.00</u>	
Total Adjusting Journal Entries		<u>667,869,217.00</u>	<u>667,869,217.00</u>	
Total All Journal Entries		<u>667,869,217.00</u>	<u>667,869,217.00</u>	

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Extra Classroom Activity Funds
Communication With Those Charged With Governance

To the Board of Education
Arlington Central School District

We have audited the financial statements of the Extraclassroom Activity Fund of Arlington 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, 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 Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Extraclassroom Activity Fund of Arlington 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 2018. We noted no transactions entered into by the Extraclassroom Activity Fund of Arlington 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.

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. There were no misstatements noted during the audit.

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 9, 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 the Extraclassroom Activity Fund of Arlington 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 the Extraclassroom Activity Fund of Arlington 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 were engaged to report on the Supplemental Schedule of Cash Receipts and Cash Disbursements – Cash Basis, which accompanies the financial statements but is 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, management of Arlington Central School District, the New York State Education Department, and the New York State Comptroller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

October 9, 2018

Rome, New York

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Extraclassroom Activity Funds
Required Communication

To the Board of Directors
Arlington Central School District

In planning and performing our audit of the financial statements of the Extraclassroom Activity Fund of Arlington Central 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 Arlington Central 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 Extraclassroom Activity Fund of Arlington Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Extraclassroom Activity Fund of Arlington Central School District's internal control.

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 or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

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 a 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. We consider the following deficiencies in the Funds' internal control to be material weakness.

The material weakness is identified and described in the attached Schedule of Audit Findings and Recommendations.

This communication is intended solely for the information and use of management, the Board of Education, the New York State Education Department, and the New York State Comptroller's Office, and is not intended to be, and should not be, used by anyone other than these specified parties.

D'Arcangelo + Co., LLP

October 9, 2018

Rome, New York

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018**

1. Material Weakness

See Status of Prior Year Findings and Recommendations.

**ARLINGTON CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018**

1. Material Weakness

A. Extraclassroom Cash Receipts

As in prior years, insufficient accounting controls exist over cash collections prior to the initial entry in the accounting records by the Central Treasurer. Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued upon the point of sale and a pre-audit of receipts was available for each major event.

In addition, we noted some cash receipts and cash disbursements do not always have the required signatures from student treasurers and/or faculty advisors.

Accordingly, a material weakness exists due to inherent lack of control at the point of collection of the various fund-raising activities.

Status: Noted again in the current year.