

Required Communication with Those Charged With Governance

To the Board of Education
LaFayette Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaFayette Central School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform 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 July 14, 2016. 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 LaFayette 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 2016. 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

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 effecting the financial statements were:

1. The District, in accordance with GASB No. 45: "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 were 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. 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.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the 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. The attached material misstatements detected as a result of audit procedures were corrected by management.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2016.

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 governmental unit'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 governmental unit'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 other 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.

We were not engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education, the administration of LaFayette 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 10, 2016

Rome, New York

**LAFAYETTE CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2016**

A. Other Matters:

No New Findings, see Status of Prior Years Findings

**LAFAYETTE CENTRAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEARS FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2016**

A. Other Matters:

1. Compensated Absences

During the course of our audit, we noted that there is no review of the compensated absence calculation once it is prepared by the system. The District currently records all employees attendance and accrued time off within the Human Resource module of the accounting software. This module is not linked directly with the Accounts Payable module, which is where accrued time payouts are made. Therefore, when an individual is paid out for accrued time, their accrued time off balances are not directly updated. Currently, there is a process where the employees time is manually removed from the attendance module once they are paid. Without a second review of this calculation, individuals could both be paid for their accrued time off and have their accrued time be included in the compensated absence calculation.

We recommend that the District implement a process where another individual outside of the attendance and accounts payable function review the compensated absence calculation. The individual should review the listing carefully to ensure that all employees paid out in the current year for their accrued time off are not included in the compensated absence calculation. The individual should also document their review by signing and dating the listing. This will create an effective audit trail.

Status: While we did note in the current year that the compensated absence calculation was reviewed by both the Treasurer and the Business Official, there was no documentation of this review being done. We recommend that the individuals reviewing the calculation document their review by signing and dating the calculation.

2. User Access to Financial Software

It appears that when District upgraded to NVision, a new version of accounting software, certain permissions were granted to individuals that they did not have in the previous version. This additional access creates an increased risk and the potential for an override of controls. User access rights should be granted on a need to know, need to do basis that considers appropriate segregation of duties. Errors or irregularities may occur and not be prevented or detected due to a weakness in the user access controls.

We recommend that management review user access rights at least annually or whenever a new employee is hired, or an employee is promoted to ensure the access and privileges coincide with the applicable job duties of the employees. These reviews should be documented by the applicable employee and any necessary changes be made and documented.

Status: In the current year the district implemented a new electronic process to monitor changes to access rights within the financial software. Any individual requesting a change in their access must do so through electronic means, which is then reviewed by management whom grants the access. The access is then implemented by the IT department apart from management approving the access. Once the access has been granted a follow up confirmation is then sent back to management informing them of the completed change for their records.

LAFAYETTE CENTRAL SCHOOL DISTRICT

SUMMARY OF AUDIT DIFFERENCES

June 30, 2016

Statement of Activities	Current Year Over (Under) Statement
BAN Interest	\$ (176,597)
Cumulative effect (before effect of prior year differences)	\$ 0
Effect of unadjusted audit differences—prior year:	0
Cumulative effect (after effect of prior year differences)	\$ (176,597)
Reclassification adjustments:	\$ 0
Statement of financial position misstatements (including reclassifications):	
Total assets	\$ 0
Total liabilities	176,597
Net assets:	
Beginning	0
Ending	\$ (176,597)