



September 23, 2019

Board of Education
Solvay Union Free School District
Solvay, 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 the Solvay Union Free School District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered Solvay Union Free School District's internal control over financial reporting (internal control) as a basis for designing auditing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that have not been 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 over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. We noted certain matters identified below.

In addition, we noted other matters involving internal control and its operation that we are reporting to management and are summarized below. Management's written response to the matters identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

1) Compliance Matter

Unreserved Undesignated General Fund Balance

Observation: The District's unreserved undesignated General Fund balance is in excess of the 4% New York State Real Property Tax Law 1318 requirements in relation to the 2019-2020 voter approved budget. The balance was 7.05% in relation to the voter approved budget.

Recommendation: In order to comply with New York State Real Property Tax Law 1318, we recommend the District reallocate the excess fund balance during the 2019-2020 fiscal year. The District should consider establishing reserves that are authorized by New York State General Municipal Law or New York State Education Law. Combining a reasonable level of unassigned fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

Response: The District has developed a plan to use fund balance and will review establishing other reserves as needed to reallocate the excess fund balance.

2) Internal Control Matter

Accounts Payable - Capital Fund

Observation: As of June 30, 2019, the District currently has two voter-approved capital projects ongoing. Approximately \$819,000 of capital expenditures were not included in accounts payable or expenditures as of June 30, 2019. GASB Concept Statement No. 4, "Elements of Financial Statements", defines liabilities as present obligations to sacrifice resources that the District has little or no discretion to avoid. Although not invoiced until after year-end, these capital expenditures meet the definition of a liability. The understatement was primarily the result of delayed payment applications from vendors.

Recommendation: We recommend that the District communicate with contractors and vendors to obtain timely invoices pertaining to work conducted within the fiscal year to ensure that all expenditures are accrued in accounts payable at year-end.

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



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