

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, 2020, 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 items for discussion of future matters. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated September 24, 2020 on the financial statements of the Spencer-Van Etten School District.

COMPLIANCE MATTER

Fund Balance Limitation

Condition:

The School District is allowed, under New York State Real Property Tax Law (Code § 1318), to retain up to 4% of the succeeding year's budget in unappropriated, unreserved fund balance. At June 30, 2020, the School District's unappropriated, unreserved fund balance was \$256,400 in excess of the allowable amount.

Cause/Effect:

Appropriations exceeded final expenditures and encumbrances by \$970,065, primarily due to lower than planned central service and instructional costs.

Recommendation:

If this situation arises in the future, we recommend management consider transferring excess funds to appropriate reserves prior to year-end or prior to adoption of the subsequent year's tax levy.

Corrective Action:

The School District feels it is prudent to take the most conservative approach possible entering the 2020/21 school year due to ongoing uncertainty and potential of holdbacks and/or cuts of state aid. This approach includes spending freezes, as well as a carryover of fund balance in excess of the allowable limit. It is not clear at this time whether state aid holdbacks will become permanent cuts, but if they do become permanent, or if they are elevated to the 20% level that has been discussed, the impact would be devastating on the School District. In addition to the uncertainty surrounding state aid, the School District is also incurring many additional costs related to COVID-19 and intends to offset such costs with unassigned fund balance as needed. Additionally, the School District continues to feel pressure associated from increases in uncontrollable costs such as health insurance premiums, pension obligations, and special education requirements. It is critical during these highly volatile and uncertain times that a healthy fund balance be sustained to protect the quality educational programing that the School District has provided for so long.

DISCUSSION ITEMS

Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

GASB has issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," which delays the implementation dates for several GASB statements as follows.

- GASB has issued Statement No. 84, "Fiduciary Activities," delayed by GASB Statement No. 95 to the year ending June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," delayed by GASB Statement No. 95 to the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," delayed by GASB Statement No. 95 to the year ending June 30, 2022.
- GASB has issued Statement No. 92, "Omnibus 2020," delayed by GASB Statement No. 95 to the year ending June 30, 2022.

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.

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, 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
September 24, 2020