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CERTIFIED PUBLIC ACCOUNTANTS

Deborah Hubbard, CPA
Page Anderson, CPA
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Kerry Steve

October 4, 2018

To the Board of Education of
McGraw Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McGraw 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, as applicable, *Government 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 23, 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 McGraw Central School District are described in Note 1 to the financial statements. As described in Note 17 to the financial statements, the District changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District's financial statements were: other post-employment benefits liability and the deferred inflows and outflows of resources related to the liability and expense, District's proportionate share of net pension (assets) liabilities and the deferred inflows and outflows of resources related to pensions, compensated absences and depreciation expense.

Management's estimate of their OPEB liability is based on an actuarial valuation, accounting and reporting for pensions is based on the District's proportionate share of the NYS retirement system Plan assets or liability, management's estimate of compensated absences is based on contracts in effect at the time of the audit, and management's estimate of depreciation expense is based on the estimated useful lives of fixed assets. We evaluated key factors and assumptions used to develop the OPEB liability, compensated absences, accounting and reporting for pension's estimates, and accumulated depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting financial statements were:

The disclosure of capital assets, short and long-term debt, pension obligations, other post-employment benefits liability, compensated absences, long-term receivables, and fund balances, the details of which are presented in Notes 1, 7, 12, 13, 15, and 16 of the financial statements.

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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 material corrected or uncorrected misstatements detected as the result of audit procedures

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 4, 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 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 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 management's discussion and analysis, budgetary comparison information, schedule of funding progress – other postemployment benefits, schedule of District contributions and schedule of District's proportionate share of the net pension (asset) liability, 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 not engaged to report on the following supplementary schedules: Schedules of Change from Adopted Budget to Final Budget, Use of Unreserved Fund Balance – General Fund, Schedule of Project Expenditures – Capital Projects Fund, Net Investment in Capital Assets, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and 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, Audit Committee and management of McGraw Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Port, Kashdin & McSherry