

REQUIRED COMMUNICATIONS

September 22, 2015

To the Board of Education
City School District of the City of Albany

Dear Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City School District of the City of Albany (District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*, and OMB Circular A-133), 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 April 27, 2015. 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 the District are described in Note 1 to the financial statements. During the year ended June 30, 2015, the District adopted the following accounting policies:

GASB issued *Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. This statement required the addition of several lines to the District's government-wide financial statements and a cumulative change in accounting principle adjustment to beginning net position.

GASB issued *Statement No. 71, Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

This Statement required accounting for the impact of the payment the District made to the TRS during the fiscal year on the District's portion of net pension asset from TRS.

Aside from the new accounting policies adopted, the application of existing policies was not changed during 2015. 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:

Management's estimate of the accrued compensated absences is based on estimated hours and pay rates as of June 30, 2015.

Management's estimate for uncollectible accounts is based on prior collection history.

Management's estimate of the depreciable lives of property and equipment is based on judgments regarding the length of time an asset will provide value to the District.

Management's estimate of the other postemployment benefits is based on an actuarial calculation from a third party actuary.

Management's estimates of the health, workers' compensation, and unemployment self-insurance plans liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported.

Management's estimate of the net pension asset, net pension liability, and related deferred inflows/outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.

We evaluated the key factors and assumptions used to develop these estimates 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 the financial statements were:

The disclosure of net position and fund balance classifications to the financial statements describes the classifications and the components of each.

The disclosures related to long term debt to the financial statements describes the types of debt taken on by the District showing the current year activity relating to each form of debt.

The disclosure of other postemployment benefits to the financial statements describes the assumptions used and the components of the actuarial determined obligation.

The disclosure of the District's pension plans of the financial statements describes the plans and the related pension asset or liability along with the deferred

inflows/outflows of resources that are new as a result of the District's adoption of GASB Nos. 68 and 71 as previously mentioned.

The disclosure of the District's OPEB liability to the financial statements describes the overall outstanding unfunded actuarial accrued liability and the outstanding net OPEB obligation at year end.

The disclosure of the District's contingencies to the financial statements describes the District's possible litigation and other contingencies.

The disclosure of self-insurance plans to the financial statements describes the incurred claims and payments on the claims for the health, workers' compensation, and unemployment plans.

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 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 as of the date of this letter.

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 City School District of the City of Albany'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 the budget and actual comparison for the General Fund, 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 engaged to report on the schedule of change from original budget to revised budget – General Fund, schedule of Section 1318 of Real Property Tax Law Limit calculation – General Fund, schedule of project expenditures – Capital Projects Fund, and schedule of net investment in capital assets, 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.

Restricted Use

This information is intended solely for the use of the Board of Education and management of City School District of the City of Albany and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

BONADIO & CO., LLP