

MANAGEMENT LETTER

October 15, 2019

The Audit Committee, Board of Education,
and Management
Lewiston-Porter Central School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Lewiston-Porter Central School District (the District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit 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.

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, 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 first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 opportunities for strengthening internal controls and operating efficiency. The points included herein summarize our comments and suggestions regarding those matters.

OBSERVATIONS

1. Fund balance

The general fund's unassigned fund balance increased \$260,000 during 2019 to \$3,146,000, which is 6.5% of the 2020 budget. However, New York State Real Property Tax Law §1318 limits the general fund unassigned fund balance to 4% of the subsequent year's budget. The District plans to use these excess funds to pay future debt payments that exceed expected State building aid receipts.

2. Capital assets

The District uses a third party vendor to perform capital asset appraisals primarily for insurance risk management purposes. The vendor also provides an ancillary service to provide the District with reports that will assist with recording capital assets and depreciation expense for accounting purposes. In 2017, the District switched vendors for this service and the capital asset detail provided was not in agreement with prior year records. Such amounts have not yet been reconciled and the balance is manually corrected during the audit process.

Capital assets should be recorded at historical cost and updated for additions and disposals, including construction in progress. When a vendor is used to provide this service, changes should be communicated to the vendor and adjusted annually. We continue to recommend that management maintain accurate records of all changes to capital assets, either internally or with the assistance of a third party vendor.

3. Extraclassroom activities

Based on our procedures in the extraclassroom activities, we noted the following:

- With no input from the middle school's graduating class club, its remaining funds were transferred to the following year's graduating class. When no other action has been implemented by a student organization prior to termination, funds should be transferred in accordance with Board policy.
- We noted five clubs without financial activity during the year. We remind the District that clubs without activity should be closed into a club that is representative of the entire student body if no activity is anticipated in the near term.
- The total of all club balances on the high school extraclassroom activity funds' summary of club accounts did not agree to the bank reconciliation as of June 30, 2019. We continue to recommend that this be reconciled to ensure accurate accounting for all transactions and availability of funds.
- There were disbursements with inadequate supporting documentation and, for one of the clubs tested, student ledger balances were not maintained. Each club should maintain its own books and records in accordance with *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds* policy manual produced by the State Education Department.
- Some disbursements and deposit receipts were not properly authorized by students and faculty advisors. We encourage the central treasurers to ensure that all necessary signatures are present.
- We continue to remind the District that each club must have a student treasurer who takes part in disbursing money.

Based on discussions with the Assistant Superintendent for Administrative Services, procedures are being implemented to improve the reporting process related to extraclassroom activities going forward.

INFORMATIONAL POINTS - ACCOUNTING STANDARDS UPDATE

The following points are for informational purposes only and we do not consider it necessary for management to include a response within the District's corrective action plan:

GASB Statement No. 84, *Fiduciary Activities*, is effective for the District's year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities and generally focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This statement describes four fiduciary funds that should be reported, if applicable, and requires presentation of a statement of fiduciary net position and a statement of changes in fiduciary net position for each. It will impact the District's accounting for payroll liabilities and extraclassroom activities.

GASB Statement No. 87, *Leases*, is effective for the District's year ending June 30, 2021. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in our previous audits. We continue to recommend the District allocate interest to reserve funds in accordance with the requirements of General Municipal Law and Education Law.

We have discussed these comments with District personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of the District's management, Audit Committee, and Board of Education; others within the District; the NYS Education Department Office of Audit Services; and the Office of the NYS Comptroller, Division of Local Government and School Accountability. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumaden & McCormick, LLP