

## MANAGEMENT LETTER

October 3, 2022

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, 2022, 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.

## RECOMMENDATIONS

### **General fund unassigned fund balance**

The unassigned fund balance in the general fund was approximately \$3,006,000 at June 30, 2022, which represents 5.7% of the 2023 expenditure budget. As you are aware, the legal limit imposed by the State is 4% of the ensuing year's budget.

### **Excess fund balance in the food service fund**

In accordance with regulations of the New York State Education Department, fund balance in the food service fund should not exceed three months' average expenditures, as defined, at any time. As a result of the COVID-related shutdowns and additional funding, the District exceeded this limit at year end. District management should submit a plan to the Child Nutrition Program Administration detailing its plans to use the excess balance. Allowable uses include improving the quality of food served or purchasing needed supplies, services, or equipment.

## Repair reserve

In the current year, the District used repair reserve funds for non-recurring repairs to capital improvements across the premises. We remind the District, pursuant to GML §6-d, voter approval is required to fund this reserve and expenditures from this reserve may be made only after a public hearing has been held requiring 2/3 majority vote of the Board of Education, except in emergency situations. If spending is subject to an emergency, the amount expended must be repaid to the reserve fund over the next two fiscal years.

Open Meetings Law specifies certain steps that must be followed to comply with public hearing and public notice requirements. We suggest you review your current procedures with your attorney to determine whether the District is in compliance with all necessary requirements.

## 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 its third-party vendor.

## Extraclassroom activities

As outlined in the New York State Education Department's 2019 Manual, *The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds* (the Manual), one of the main purposes of extraclassroom activities is to provide the District with an opportunity to teach pupils basic bookkeeping procedures through participation in handling funds and maintaining appropriate records. We noted several areas for improvement detailed as follows:

- Five clubs had no financial activity during the year. Due to the pandemic, we understand that certain activities and events could not occur. We do however 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.
- All clubs tested had adequate supporting documentation and all club ledger balances were maintained. We remind the District that each club should have its own books and records maintained by the student treasurer, not the advisor, in accordance with the Manual.
- We continue to remind the District that each club must have a student treasurer who takes part in disbursing money.
- 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.
- Board approval is required for all new clubs and club closures. We noted no Board approval for creation of one club and closure of another.
- During this year's audit, we were pleased to note that the total of all club balances on the high school extraclassroom activity funds' summary of club accounts agreed to the bank reconciliation as of June 30, 2022. In previous years, these balances had not reconciled.

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.

### 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.

### ACCOUNTING STANDARDS UPDATE

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the District's year ending June 30, 2023. It provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users which generally results in an intangible right-to-use asset and subscription liability with required financial statement footnote disclosures.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is effective for the District's year ending June 30, 2024. This statement defines four categories of accounting changes and error corrections along with the required reporting requirements, which include the following: (1) *Change in accounting principle* with retroactive reporting to the earliest period presented and required financial statements footnote disclosures including an explanation as to why the change is preferable, (2) *Change in accounting estimate* with prospective reporting from the period when change occurs and required financial statement footnote disclosures, (3) *Change to or within the entity with an adjustment* to beginning net position and (4) *Error correction* with retroactive reporting to the earliest period presented and required financial statement footnote disclosures.

GASB Statement No. 101, *Compensated Absences*, is effective for the District's year ending June 30, 2025. This statement clarifies what is considered unused leave balances for employees. Under this statement, compensated absences should be recognized as liabilities on the government-wide statements for leave that has not been used and leave that has been used but not yet paid or settled.

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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.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.