

MANAGEMENT LETTER

September 29, 2021

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, 2021, 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. 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.

Under Open Meetings Law, when holding a public hearing, legal notice of the hearing should be published and accessible to the general public of the District for a period no less than three days prior to the hearing. The notice should include the date, time, and place of the hearing as well as a brief statement of its purpose. The notice should be published in the official newspaper, if there is one, or in a newspaper having general circulation within the District. A public notice should be posted on the official bulletin

board or signboard, and in other places as required by law. It is advisable that the clerk file an affidavit of publication after publishing the notice, in order to prove that the request for publication was made. The news media should be notified, and special notice should be given to individuals and governmental bodies as may be specially required.

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 its third-party vendor.

3. Extraclassroom activities

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

- Seven 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.
- 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, 2021. 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 POINT - ACCOUNTING STANDARDS UPDATES

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

Potential impact from upcoming GASB Statements

GASB Statement No. 87, *Leases*, was affected by GASB 95 and is now effective for the District's year ending June 30, 2022. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized 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.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the District's year ending June 30, 2023. This statement generally requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability that is measured at the present value of the subscription payments expected to be paid during the subscription term.

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.

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