Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

MANAGEMENT LETTER

October 14, 2022

The Audit Committee, Board of Education,
and Management
Sweet Home 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 Sweet Home 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.

OBSERVATIONS

Unassigned fund balance over 4%

The unassigned fund balance in the general fund was $5,092,000 at June 30, 2022 and represents 5.7% of the 2023 budget. As you are aware, the legal limit imposed by the state is 4% of the general fund's budget for year ended 2023.

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 COVID-related shutdowns and additional funding, the District exceeded this limit at June 30, 2022 and 2021. In December 2021, District management submitted a plan to the Child Nutrition Program Administration detailing the use of 2021 excess fund balance. The District will need to update and submit the plan again due to $1,209,000 of additional fund balance as a result of 2022 operations. Allowable uses include improving the quality of food served or purchasing needed supplies, services, or equipment.

Extraclassroom Activity Funds

We noted missing student signatures on some extraclassroom transactions that occurred near year end. There was improvement in extaclassroom activity records from the prior year when we noted errors in student ledgers, including miss check numbers, inconsistent or missing dates, and missing receipt numbers. We recommend that the District continue to educate and train student officers and faculty advisors on the importance of maintaining accurate and complete ledgers for their clubs.

We also noted 12 clubs with cash balances of $6,588 without financial activity during the year ended June 30, 2022 (nine of the clubs also had no activity in the prior year). Upon recommendation by management in July 2022, the District closed five of the 12 clubs identified with cash balances of $3,532. Management has determined that the remaining seven clubs with no financial activity are still active. We recommend that the District continue to review student clubs and transfer funds appropriately for those clubs that are no longer active.

ACCOUNTING STANDARDS UPDATES

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.

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 than these specified parties.

Lumsden & McCormick, LLP