

MANAGEMENT LETTER

October 8, 2020

The Audit Committee, Board of Education,
and Management
Wyoming 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 Wyoming Central School District (the District) as of and for the year ended June 30, 2020, 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 preceding 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 weakness may exist that have not been identified.

UPDATE

As reported in prior years, due to the small size of the business office, a proper segregation of duties is not possible. We understand that the Superintendent and a second employee in the business office provides some assistance in duty segregation.

Since it is difficult to achieve an ideal segregation of duties, we continue to stress the importance of monitoring transactions and controls by the Board of Education.

OTHER MATTERS

1. General fund unassigned fund balance

The unassigned fund balance in the general fund was approximately \$686,000 at June 30, 2020 which represents 12% of the 2020 expenditure budget. As you are aware, the legal limit imposed by the State is 4% of the ensuing year's budget.

2. **Internal control related matters**

During our testing, we noted certain areas where internal controls can be improved. We recommend the following opportunities for management to strengthen internal controls:

- The payroll certification agent should document the date of review on the payroll certifications and related reports
- Management should maintain payroll change edit reports for each pay period, even when the report has no activity, in order to show proper documentation of review and approval

INFORMATIONAL POINTS – ACCOUNTING STANDARDS UPDATE

The following points are for informational purposes only and we do not consider it necessary for management to respond within the District’s corrective action plan.

- GASB Statement No. 84, *Fiduciary Activities*, is now effective for the District’s year ending June 30, 2021 due to the extended date provided by GASB 95. 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, scholarships, and extraclassroom activities.
- GASB Statement No. 87, *Leases*, was also 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.

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, Board of Education, and 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.

