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MANAGEMENT LETTER

October 11, 2022

The Audit Committee, Board of Education,
and Management
Grand Island 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 Grand Island 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

Deficit fund balance in the food service fund

The District's food service fund deficit is $85,000 as of June 30, 2022, an improvement of $764,000 from 2021. We previously recommended the District provide the food service fund with permanent transfers as the District has experienced annual declines in fund balance from 2008 to 2020. Due to the COVID-19 pandemic, Federal reimbursement rates for meals were temporarily increased which has had a dramatic effect on the District's revenue. We are also pleased to report the District worked with a consultant on methods and strategies to improve the food service operations which helped reduce the food service fund deficit. We encourage the District to continue closely monitoring the food service program.

Extraclassroom Activity Funds

- We previously noted multiple extraclassroom activity student ledgers that did not agree to the central treasurer's ledger despite District procedures requiring a quarterly review by the advisor and student officer. In 2021, there were instances in which the review was not performed. We are pleased to report that we noted reviews being performed during 2022.
- We noted that club advisors are signing student ledgers indicating the balances agree although there are variances with the central treasurer's ledger. We continue to recommend a more formal procedure be implemented to ensure this approval is done only after balances are reconciled and agreed.
- We noted various transactions that did not have complete documentation or signatures present. We continue to recommend that purchases and deposits are not completed until all proper documentation and approvals are received.
- We noted various clubs that had no activity during the current year. We recommend that clubs be closed after two years of inactivity.

PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in our previous audits. Recommendations not mentioned elsewhere are as follows:

- We continue to recommend that the District use pre-numbered receipts for ticket sales for sport and theatre events, perform regular reconciliations (with first and last tickets attached) when cash is collected outside the Business Office, and ensure timely remittance of cash deposits to the Business Office after each event.
- Commingled trust and agency funds should be separated into the miscellaneous special revenue fund and custodial fund. This was mandated in 2021 due to new accounting principles.
- Interfund borrowings are required to be short-term and designed to facilitate cash flow between the various operating funds. The District has continued to accumulate these funds. A formal reconciliation should be prepared and interfund borrowings must be liquidated.
- The District uses third party software to maintain its capital asset inventory system. Discrepancies exist between the current system and the financial statements. Discrepancies result from the failure to transfer assets from construction in progress to depreciable capital asset categories upon project completion and lack of reconciliation in beginning balances of accumulated depreciation to prior year ending balances. We recommend the District reconcile its capital asset inventory systems to the accounting records and develop processes and procedures to ensure all additions and disposals are reflected in the capital asset inventory systems. We encourage the District to continue to update capital asset records throughout the year to ensure accurate financial reporting. Finally, we also recommend the District evaluate the capitalization policy which is currently at $500. We recommend a capitalization threshold of $5,000.

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 other than these specified parties.

Lumsden & McCormick, LLP