



MANAGEMENT COMMENT LETTER

Board of Education
Southern Cayuga Central School District
Aurora, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Cayuga Central School District (the School 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 School District's internal control over financial reporting (internal control) as a basis for designing auditing 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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. 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.

This letter does not affect our report dated October 8, 2021 on the financial statements of the Southern Cayuga Central School District.

NONCOMPLIANCE

Compliance With Laws and Regulations: Fund Balance Limitation

Finding:

The School District is allowed, under New York State Real Property Tax Law (Code §1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance. At June 30, 2021, unassigned fund balance was \$2,013,500 in excess of the allowable amount. At June 30, 2020, unassigned fund balance was \$1,583,703 in excess of the allowable amount.

Cause/Effect:

The excess in current year unassigned fund balance is primarily due to significantly lower expenditures than budgeted.

Recommendation:

We recommend compliance with the provisions of New York State Real Property Tax Law (Code §1318). We also recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budget development and monitoring processes, we recommend School District management estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which can be transferred to reserve accounts, assigned to appropriated fund balance, or used to reduce the tax levy in accordance with New York State Real Property Tax Law.

Management Response:

While School District management realizes our unrestricted fund balance exceeds the 4% limit, we had a reduction in spending due to COVID-19. We had very limited sports so our salaries for coaches were lower, as we had fewer sports trips for our bus drivers so less money was spent on their salaries. We had very few substitute needs, with each classroom having two adults. This too saved on salaries for substitutes. We also were ready for a 20% reduction in state aid that never occurred, so the money left in our fund balance from the previous year and the extra money we put into our appropriated fund balance were not needed.

This communication is intended solely for the information and use of management, the Audit Committee and Board of Education, and others within the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 8, 2021