

THE BOARD OF EDUCATION OF  
WICOMICO COUNTY

AUDIT COMMUNICATIONS

JUNE 30, 2019

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I. COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

Herbert J. Geary III  
Corey N. Duncan  
Roy J. Geiser  
Chris A. Hall  
Ronald W. Hickman  
Craig A. Walter  
Mark A. Welsh



September 30, 2019

To the Audit Committee  
The Board of Education of Wicomico County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of Wicomico County for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board of Education of Wicomico County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by The Board of Education of Wicomico County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Management's estimate of the net pension liability is based upon an actuarial valuation prepared by CBIZ Benefits & Insurance Services, Inc. We have reviewed the key factors and assumptions used to develop the calculations and amounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net OPEB liability is based upon an actuarial valuation prepared by CBIZ Benefits & Insurance Services, Inc. We have reviewed the key factors and assumptions used to develop the calculations and amounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based upon the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of post-employment health care benefits in Note 7 to the financial statements describes the Board's defined benefit healthcare plan, net OPEB liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to other post-employment benefits as well as the significant assumptions used in the actuarial valuation.

The disclosure of pension plans in Note 9 to the financial statements describes the Board's pension plans, pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions as well as the significant assumptions used in the actuarial valuation.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Un-posted Transactions*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes the adjusting journal entries recorded as part of our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representation*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Board’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Auditing Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management’s discussion and analysis, budgetary comparison information, and schedules of the pension plans and retiree health insurance plan; which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the additional supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of The Board of Education of Wicomico County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "TGM Group LLC". The signature is written in a cursive, flowing style.

TGM Group LLC  
Salisbury, Maryland

## II. ON THE HORIZON



## Recently Issued GASB Pronouncements

The following recently issued governmental accounting standards may have a material impact on the Board's financial statements in the near future. We would be happy to further discuss these items with members of the Board and management at their convenience.

### Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. The requirements for this statement are effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a governmental entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a controlling fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity that meets the criteria should be reported in a fiduciary fund in the basic financial statements.

### Governmental Accounting Standards Board Statement No. 87, Leases

In June 2017, GASB issued Statement No. 87, *Leases*. The requirements for this statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve financial reporting for leases. This Statement increases the usefulness of governmental entity financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease 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, thereby enhancing the relevance and consistency of information about governmental entity leasing activities.

For lessees, the liability will be reduced as payments are made and the asset will be amortized over the shorter of the lease term or the useful life of the underlying asset. The notes to the financial statements for lessees will need to include a description of the leasing arrangements, the amount of the lease assets recognized, and a schedule of future lease payments. For lessors, the lease receivable will be reduced and an inflow of resources (revenue) from the deferred inflow of resources recognized in a systematic and rational manner over the term of the lease. The notes to the financial statements for lessors should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

At the beginning of the period of implementation, leases should be recognized and measured using the facts and circumstances that exist at that time. Short-term leases with contracts of 12 months or less, including options to extend, are excluded.

### III. SCHEDULE OF ADJUSTING JOURNAL ENTRIES

Client: **Wicomico County Board of Education**  
Engagement: **Wicomico County Board of Education**  
Period Ending: **6/30/2019**  
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>GENERAL FUND</b>				
<b>Adjusting Journal Entries JE # 1</b>		<b>PBC</b>		
To reclass invoices dated 6/30/2019 or earlier paid in FY2020 against prior year purchase orders.				
4710	LIAB OTHER Open POs		935,781.32	
4700	LIAB OTHER Accounts Payable			935,781.32
<b>Total</b>			<b>935,781.32</b>	<b>935,781.32</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>FS AJE #8</b>		
To adjust food service claim on cash				
1170	REVLOCAL Other Miscellaneous		7,013.35	
3000	CLAIM ON CASH			7,013.35
<b>Total</b>			<b>7,013.35</b>	<b>7,013.35</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>A-01</b>		
To adjust claim on cash				
3090	ASSET Invstmnt MLGIP		3,121,346.95	
3000	CLAIM ON CASH			1,020,308.74
3010	ASSET Cash Operating Account			38,441.26
3070	ASSET Invstmnt HlthCareConsort			2,062,596.95
<b>Total</b>			<b>3,121,346.95</b>	<b>3,121,346.95</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>A-01</b>		
To adjust accrued 6/30/19 interest				
3180	ASSET Acct Rec Intrst DueMLGIP		15,392.00	
1965	REVOTHER Rate Stab Reserve		7,969.00	
1140	REVLOCAL Earnings On Invstmnts			23,361.00
<b>Total</b>			<b>23,361.00</b>	<b>23,361.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To adjust transfer to Fund 700				
2965	EXPENSE-Rate Stab Reserve		400,000.00	
3345	ASSET Due From Other Funds			400,000.00
<b>Total</b>			<b>400,000.00</b>	<b>400,000.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>PBC</b>		
To record add'l accrual for health insurance payable and transfer salaries & wages to MA				
3000	CLAIM ON CASH		74,404.04	
6140	OTHER CHARGES		43,500.00	
4830	LIAB ACCRD Retirees Health Ins			43,500.00
5510	SALARIES AND WAGES			40,640.60
6140	OTHER CHARGES			33,763.44
<b>Total</b>			<b>117,904.04</b>	<b>117,904.04</b>

Client: **Wicomico County Board of Education**  
Engagement: **Wicomico County Board of Education**  
Period Ending: **6/30/2019**  
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>C-03</b>		
To record State Receivable for unrestricted special ed				
3360	ASSET Due From State Govt		264,801.37	
1340	REVSTATE Special Ed Formula			264,801.37
<b>Total</b>			<b>264,801.37</b>	<b>264,801.37</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>C-03</b>		
To reverse receivable/revenue of Infants & Toddlers - relates to Fund 120				
1330	REVSTATE Sp Ed Infants Toddler		29,364.02	
3360	ASSET Due From State Govt			29,364.02
<b>Total</b>			<b>29,364.02</b>	<b>29,364.02</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>PBC</b>		
To correct CTE Perkins grant in Fund 120				
5440	OTHER CHARGES		99.80	
3000	CLAIM ON CASH			99.80
<b>Total</b>			<b>99.80</b>	<b>99.80</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>RECLASS</b>		
To reclass ICR & pension contributions to match between SRF & GF				
1951	REVOTHER Interfund Trans Pens		106,714.25	
1950	REVOTHER Interfund Transfers			106,714.25
<b>Total</b>			<b>106,714.25</b>	<b>106,714.25</b>
<b>FOOD SERVICE FUND</b>				
<b>Adjusting Journal Entries JE # 11</b>		<b>AA-01</b>		
To reclass from Open PO to A/P				
4710	LIAB OTHER Open POs		4,000.00	
4710	LIAB OTHER Open POs		5,408.74	
4700	LIAB OTHER Accounts Payable			4,000.00
4700	LIAB OTHER Accounts Payable			5,408.74
<b>Total</b>			<b>9,408.74</b>	<b>9,408.74</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>10-03.01</b>		
To adjust federal commodities				
2900497	FS EXPEND-USDA Commodities		425,641.15	
1670	REVFEDRL USDA Commodities			425,641.15
<b>Total</b>			<b>425,641.15</b>	<b>425,641.15</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>10-03</b>		
To adjust state revenue and related receivable to confirmed amount				
3360	ASSET Due From State Govt		11,153.76	
1490	REVSTATE State-Breakfast			11,153.76
<b>Total</b>			<b>11,153.76</b>	<b>11,153.76</b>

Client: **Wicomico County Board of Education**  
Engagement: **Wicomico County Board of Education**  
Period Ending: **6/30/2019**  
Workpaper: **Adjusting Journal Entries Report**

<b>Account</b>	<b>Description</b>	<b>W/P Ref</b>	<b>Debit</b>	<b>Credit</b>
<b>Adjusting Journal Entries JE # 14</b>		<b>C-02 / PBC</b>		
To adjust other a/r acct				
3000	CLAIM ON CASH		7,013.35	
3110	ASSET Acct Rec Other			7,013.35
<b>Total</b>			<b>7,013.35</b>	<b>7,013.35</b>
<b>Adjusting Journal Entries JE # 15</b>		<b>D-01</b>		
To adjust USDA commodities expense to match revenue				
2900498	FS EXPEND-USDA Commod Inv Adj		2,444.27	
2900489	FS EXPEND-Other Food Purchased			2,444.27
<b>Total</b>			<b>2,444.27</b>	<b>2,444.27</b>
<b>SPECIAL REVENUE FUND</b>				
<b>Adjusting Journal Entries JE # 16</b>		<b>PBC</b>		
To net revenues and expenditures				
1580	REVSTATE Other State		214.45	
3350	ASSET Due From Federal Govt		262.45	
5330R	SUPPLIES AND MATERIALS		2,269.82	
5440R	OTHER CHARGES		1,279.20	
5540R	OTHER CHARGES		368.96	
5820R	CONTRACTED SERVICES		3,621.39	
1610	REVFEDRL Restr'd Through MSDE			262.45
3360	ASSET Due From State Govt			214.45
4700	LIAB OTHER Accounts Payable			7,539.37
<b>Total</b>			<b>8,016.27</b>	<b>8,016.27</b>
<b>Adjusting Journal Entries JE # 17</b>		<b>PBC</b>		
To move salaries and fixed charges from GF to MA				
4620	LIAB DEFERRED Medical Assistan		74,404.04	
5510R	SALARIES AND WAGES		40,640.60	
6140R	OTHER CHARGES		33,763.44	
1610	REVFEDRL Restr'd Through MSDE			74,404.04
3000	CLAIM ON CASH			74,404.04
<b>Total</b>			<b>148,808.08</b>	<b>148,808.08</b>
<b>Adjusting Journal Entries JE # 18</b>		<b>PBC</b>		
To adjust grants				
1330	REVSTATE Sp Ed Infants Toddler		100,925.98	
1610	REVFEDRL Restr'd Through MSDE		99.80	
3000	CLAIM ON CASH		99.80	
1610	REVFEDRL Restr'd Through MSDE			100,925.98
4950	LIAB DUE TO Fed Govt			99.80
5440R	OTHER CHARGES			99.80
<b>Total</b>			<b>101,125.58</b>	<b>101,125.58</b>