

THE BOARD OF EDUCATION OF
WICOMICO COUNTY

AUDIT COMMUNICATIONS

JUNE 30, 2020

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I. COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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September 30, 2020

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, 2020. 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 15, 2020. 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 2020. 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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, 2020.

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 now effective for reporting periods beginning after December 15, 2019. 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 June 15, 2021. 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.