



100 South Clinton Avenue  
Suite 1500  
Rochester, NY 14604

**P** 585.427.8900  
**TF** 800.546.7556  
**F** 585.427.8947  
**W** EFPRgroup.com

October 7, 2021

To the Board of Education  
Naples Central School District

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Naples Central 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 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. 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.

During our audit, we noted certain operational matters that are presented for your consideration, and have been identified as "other comments and recommendations" in the following pages. These other comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. This letter does not affect our report dated October 7, 2021 on the financial statements of Naples Central School District. We will review the status of these comments during our next engagement. We will be pleased to discuss these comments in further detail at your convenience, perform additional study of these matters or assist you in implementing the recommendations.

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

Very truly yours,

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC

/gt  
Enc.

**Naples Central School District  
Status of Prior Year Compliance Finding  
June 30, 2021**

---

**Requirement**

NYS Real Property Tax Law § 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget of the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts assigned for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Finding (Current Year Update)**

The District's unassigned fund balance at June 30, 2021, after excluding amounts assigned for the subsequent year end encumbrances, was in excess of the New York State Real Property Tax Law §1318 limit. For the fiscal year ended June 30, 2021, the District's unassigned fund balance is \$2,209,847 which is 10.17% of the 2021-2022 voter approved General Fund budget.

**District's Response**

Due to the COVID pandemic the District took a cautious approach to the 2020-2021 school year. As a result, the District underspent the budget and plans to utilize unassigned fund balance to create and fund a capital reserve fund and a capital bus reserve fund during the 2021-2022 school year. While federal stimulus funds are available, there are specific items those funds need to be used for. The District is continuing to take a cautious approach as adjustments may need to be made to transportation, staffing, cleaning processes and potential substitute teacher costs.

**Naples Central School District**  
**Other Comments and Recommendations**  
**June 30, 2021**

---

**Other Comment - Accounting for Leases:** Under current guidance, leases are classified as either capital or operating depending on whether the lease meets any of four tests. In many cases, this results in reporting lease transactions differently than similar nonlease financing transactions. Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," which becomes effective for the District's fiscal year beginning July 1, 2021, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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-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 the governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement.

**Recommendation:** We will be in contact with the District to provide further guidance in order to minimize any difficulties at the time of implementation.