

## MANAGEMENT LETTER

October 4, 2016

The Audit Committee, Board of Education,  
and Management  
Kenmore-Town of Tonawanda Union Free 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 Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2016, 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

#### 1. Extraclassroom activity accounts

- We continue to recommend that the central treasurers annually review with faculty advisors and student treasurers the proper procedures and requirements for students to keep club records. We also suggest that the central treasurers periodically reconcile their records to those of the students.
- During our testing we noted several clubs with no activity. Central treasurers and building principals should review club activity to determine if they are still active. We continue to recommend that if clubs are determined to be inactive, they should be formally closed and the balances transferred to a club that benefits the entire student body. In addition, the clubs of prior graduating classes should also be closed and the funds transferred.

2. **Journal entry review**

Currently, there is no review of the journal entries made by the District Treasurer. To strengthen controls we recommend that the Assistant Superintendent for Finance, who does not prepare journal entries, be responsible for reviewing and approving the journal entries recorded by the District Treasurer. It is our understanding that management will be implementing this recommendation.

**INFORMATIONAL POINTS**

The following points are for informational purposes only and we do not consider it necessary for management to respond within the District's corrective action plan.

3. **Upcoming changes due to GASB Statement No. 75**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces GASB Statement No. 45 and is effective for the District's year ending June 30, 2018. This statement will require recognition of the District's full unfunded actuarial accrued liability for OPEB in the statement of net position, rather than the current method of recognizing an amortized portion of the total. For defined benefit plans, this statement also identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional note disclosures and required supplementary information requirements will also be included. The intention of GASB Statement No. 75 is to report data consistent with the methods of accounting used for pension plans under GASB Statement No. 68.

4. **Upcoming changes due to GASB Statement No. 77**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Financial statement disclosures will include details regarding the tax abatement agreements such as the type of tax abated, the amount, and the laws which give the authority to abate taxes, to name a few. This statement is effective for the District's year ending June 30, 2017.

**PRIOR YEAR RECOMMENDATIONS**

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

- We continue to recommend that purchase orders be completed and approved prior to the purchase being made.
- The District Treasurer, who has no access to the payroll module, reviews payroll reports each pay period for unusual or unauthorized changes to the payroll database.

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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*