

MANAGEMENT LETTER

September 10, 2024

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, 2024, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chances of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the preceding 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

Excess fund balance in the food service fund

In accordance with regulations of the New York State Education Department, fund balance in the food service fund should not exceed three months' average expenditures, as defined, at any time. The District exceeded this limit at year end despite its efforts to reduce fund balance. Food service fund balance increased \$366,000 during 2024. District management should update its plan to the Child Nutrition Program Administration detailing its plans to use the excess balance. Allowable uses include improving the quality of food served or purchasing needed supplies, services, or equipment.

Extraclassroom activity accounts

We continue to recommend that the central treasurers annually review with faculty advisors and student treasurers the proper procedures for students to maintain club records, including obtaining appropriate signatures and retaining adequate receipt and disbursement documentation. The importance of completing ledgers throughout the year and retaining those ledgers after school closes for the summer should continue to be emphasized. We also continue to recommend that the central treasurers periodically reconcile their records to those of the students.

During our testing we noted twelve clubs with no financial activity. We continue to encourage management to review whether clubs are no longer active and formally close those clubs with the balances transferred to a club that benefits the entire student body.

ACCOUNTING STANDARDS UPDATE

GASB Statement No. 101, *Compensated Absences*, is effective for the District's year ending June 30, 2025. This statement clarifies what is considered unused leave balances for employees. Under this statement, compensated absences should be recognized as liabilities on the government-wide statements for leave that has not been used and leave that has been used but not yet paid or settled.

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the District's year ending June 30, 2025. This statement requires disclosure of certain concentrations or constraints that may have significant negative effects on the District. Concentrations are defined as significant inflows or outflows of resources that lack diversity. Constraints include limitations imposed by external parties or by the Board of Education.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the District's year ending June 30, 2026. This statement attempts to improve key components of the financial reporting model by limiting management's discussion and analysis to five specific topics, requiring separate presentation of unusual or infrequent items, and requiring that budgetary comparisons be presented as required supplementary information.

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.

