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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 4, 2016

Members of the Audit Committee and
The Board of Education
Kenmore-Town of Tonawanda Union Free School District

We have audited 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) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated June 6, 2016 and at our planning meeting on the same date. 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 District 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 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

Estimates
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 important 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:

- Recognition of capital assets at historical or estimated historical cost within established threshold values and the consistent application of depreciable lives and methods
- Accrual of compensated absences (vacation, sick pay liabilities and other benefits) and other postemployment benefit obligation (OPEB) and related disclosures
- Net pension asset (liability) and related disclosures
- Self-insured workers' compensation and self-funded health insurance liabilities
- Reserves established, funded, and reported in the general fund as restricted fund balance

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Footnote Disclosures
Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosures affecting the financial statements are reflected in Note 5 – Short-Term Debt, Note 6 – Long-Term Liabilities, Note 7 – Pension Plans, Note 8 – Postemployment Healthcare Benefits and Note 9 – Risk Management. These disclosures present the existing short and long-term debt obligations of the District, the actuarially determined net pension asset and liability for the District's participation in the State's pension plans, the actuarial accrued liability and net obligation for the District's other postemployment benefits, and the District's self-insured workers' compensation and self-funded health insurance plans.

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

<u>Difficulties Encountered in Performing the Audit</u>

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

<u>Corrected and Uncorrected Misstatements</u>

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 taken responsibility for and agreed to all such adjustments suggested during our audit. The following misstatements detected as a result of audit procedures were corrected by management:

Reduction of accounts payable in the capital projects fund for amounts applicable to the subsequent year	$ 968,769
Recognition of an asset impairment for buildings no longer in use	$10,655,000

<u>Disagreements with Management</u>

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

<u>Management Representations</u>

We have requested certain representations from management that are included in the management representation letter dated September 30, 2016.

<u>Management Consultations with Other Independent Accountants</u>

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 District'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 Audit 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 District'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 management's discussion and analysis and other required supplementary information (RSI) regarding OPEB and pensions. 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 financial statements, and other knowledge we obtained during our audit of the 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 certain supplementary information accompanying the financial statements that is not RSI, which includes the schedule of expenditures of federal awards and schedules required by the New York State Department of Education. 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 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.

Restriction on Use

This information is intended solely for the use of the Audit Committee, Board of Education and management of the District. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumsden & McCormick, LLP