

## MANAGEMENT LETTER

September 21, 2021

The Audit Committee, Board of Education,  
and Management  
Newfane Central 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 Newfane Central School District (the 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 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.

### RECOMMENDATIONS

1. General fund unassigned fund balance and reserves

The unassigned fund balance in the general fund was \$4,715,000 at June 30, 2021 which represents 13.1% of the 2022 budget. As you are aware, the legal limit imposed by the State is 4% of the ensuing year's budget. Over the years, the District has established and funded reserves as a result of conservative budgeting and prudent spending. The reserves were established to permit the continuity of programs while having specific funds available to meet the needs of the District where costs are expected to rise. These reserves provide a method to fund expenditures with minimal impact on taxes and programs. It is our understanding that management has implemented a plan to systematically use the District's unassigned fund balance and reserves.

2. Extraclassroom activity

We noted the District has extraclassroom clubs that do not appear to have any student involvement in the elementary school. These clubs also continue to have significant funds at the end of the year. We recommend the District evaluate these clubs' cash balances and determine whether such clubs should exist.

INFORMATIONAL POINTS – ACCOUNTING STANDARDS UPDATES

The following points are for informational purposes only and we do not consider it necessary for management to include a response within the District’s corrective action plan:

- GASB Statement No. 87, *Leases*, is effective for the District’s year ending June 30, 2022 (the effective date was extended by GASB 95). It requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a 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.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the District’s year ending June 30, 2023. This statement generally requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability that is measured at the present value of the subscription payments expected to be paid during the subscription term.

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 previously recommended management review the amount and duration of outstanding scholarship loans. We are pleased to report management completed the review and wrote-off uncollectible balances.
- We noted in prior years that amounts owed between funds were steadily increasing. Such amounts are expected to be short-term in nature and should be repaid within a year. We continue to recommend that amounts owed between funds be liquidated in a timely manner.

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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.

