

Freeport Public Schools
2017-18 External Audit – Corrective Active Plan

Below, please find the District's response to findings and recommendations of the 2017-18 Annual External Audit, which was performed by the district's external auditors, Cullen & Danowski, LLP.

Unassigned Fund Balance (General Fund) – Audit Comment

New York State Real Property Tax Law (RPTL) 1318 limits a school district's general fund unassigned fund balance to an amount no greater than 4% of the ensuring year's budget.

We noted that the District has been gradually reducing its General Fund unassigned fund balance. The unassigned fund balance has been reduced from 6.95% as of June 30th, 2016 to 5.79% as of June 30th, 2018.

We recommend that the District continue to monitor its plan for utilizing and reducing the General Fund's unassigned fund balance.

District's Corrective Active Plan:

As noted in the recommendation above, the District has been gradually lowering the unassigned fund balance. We have done this by funding our reserves to ensure we are well prepared for future years, purchased necessary one time expenditures most recently involving the IT infrastructure as well as tightened the expenditure side of the budget during the planning process. In the 2015-16 and 2016-17 years, in addition to refunding two existing bonds due to favorable market conditions, the District also paid down some of the existing debt to lower the remaining balances saving the District in interest costs. Although the District has been able to reduce the unassigned fund balance for the past few years, we believe the 4% limit should be reevaluated and increased. For our District, we are a high needs school district largely dependent on State Aid with a large population of unaccompanied minors, ENL and Special Needs students. With an increase in any or all of those areas, the net impact could cost the District millions and in addition, with the unpredictability of State Aid from year to year, the limit of 4% seems unrealistic and irresponsible to our students and community members. We have always and will continue to monitor the District's unassigned fund balance to ensure we are able to continue to provide a stable, competitive and strong education for our students.

Food Service Inventory – Audit Comment

The District purchases food and also receives surplus food from the federal government for use in its Food Service program. An inventory count is performed annually at the schools cafeterias periodically and at year end. The inventory account balance at year end is calculated based on the ending inventory count and the appropriate unit costs for each inventory item.

During our prior year audit, we had performed a sample recount of inventories at two schools and noted that some discrepancies in the District's original inventory count at year end. The differences in the inventory counts and valuation for our sample size was extrapolated and applied across the entire inventory balance. This extrapolation resulted in a projected error amount that was not material to the school food service program; therefore, we did not propose an audit adjustment. We had informed the District of the count discrepancies, and management immediately addressed this matter and has

implemented additional procedures for improving the periodic inventory count process for fiscal 2017-18.

During our current year audit, we performed a sample count of twenty-five (25) inventory items at the High School and found two small inventory count discrepancies. The count discrepancies were considered insignificant in nature and, when extrapolated across the remaining inventory, did not result in a material change in the inventory balance. We consider this commend closed.

District's Corrective Active Plan:

As stated above, the District immediately improved its inventory management process and as a result, this recommendation is considered implemented and closed.

Extraclassroom Activity Funds – Audit Comment

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes a pamphlet, titles *The Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*. The pamphlet contains guidelines and recommended procedures for organizing the extraclassroom activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our prior year audit, we had selected and tested a sample of cash receipts and disbursement transactions from extraclassroom activities at the High School and the Dodd Middle School, and found that the majority of the transactions had the appropriate documentation and authorized signatures. We did note a few instances where some signatures were not present on payment order forms or deposit request forms for some Middle School extraclassroom activities.

During our current year audit, we tested a combined sample of twenty (20) cash disbursements and twenty (20) cash receipts, and noted four (4) cash receipts did not have documentation indicating that a profit-and-loss statement was being prepared for the fundraisers.

We recommend that the District continue to reiterate the existing extraclassroom procedures with the personnel involved in the extraclassroom activity clubs and provide additional guidance where necessary to ensure that they comply with NYSED's guidelines for extraclassroom activities.

District's Corrective Active Plan:

The Business Office continues to work closely with the treasurers from the High School and Middle School to ensure the proper procedures are followed. These specific examples will be discussed with the treasurers to ensure we are in compliance with NYSED's guidelines for extraclassroom activities.

Very truly yours,

Beth Rella
Assistant Superintendent for Business