

EXTERNAL AUDIT
District Response/Action Plan
Fiscal Year Ending June 30, 2017

Unassigned Fund Balance – General Fund

New York State Real Property Tax Law (RPTL) 1318 limits a school district's general fund unassigned fund balance to be an amount not greater than 4% of the ensuing year's budget.

We noted last year that the District had been gradually reducing its General Fund unassigned fund balance over the past several years; as of June 30, 2016, the General Fund's unassigned fund balance for the purpose of RPTL 1318 was 6.95% of the District's 2016-17 adopted budget. As of June 30, 2017, the General Fund's unassigned fund balance was 5.97% of the 2017-18 adopted budget.

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

District Response:

As noted in the recommendation above, the District has significantly lowered the unassigned fund balance over the past few years. 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 & District Security as well as tightened the expenditure sides 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 and reducing the payback period of one of the bonds by three years. Although the District has been able to reduce the unassigned fund balance for the past few years, we believe 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.

Recording of Retirees Health Insurance Contributions

The District provides health insurance coverage to its retirees, who remit to the District a portion of their monthly health insurance premium in accordance with contracts of their respective bargaining units.

During our prior year audit, we noted that the monies received from retirees were recorded in the Trust and Agency Fund, but were not transferred to the General Fund until after the fiscal year ended.

During the current year audit, we noted that this has been corrected by the District.

District Response:

The District has changed its processes and monitors these expenditures on a more detailed and routine manner. In addition, there are various checks and balances and a year-end reconciliation to ensure everything is recorded in the proper period.

Food Service Inventory

The District purchases food and also received 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 current year audit, we performed a sample recount of inventories at two schools and noted 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 informed the District of the count discrepancies, and management has immediately addressed this matter and has implemented additional procedures for improving the periodic inventory count process for fiscal 2017-18.

District Response:

As stated above, we took immediate action and put additional protocols and procedures in place to ensure the inventory management system was improved. The District reviewed the improved processes with the Director of Food & Nutrition as well as the head cooks within each building. The inventory review is also now being managed by the Central Office with internal audits throughout the year to ensure the counting is done accurately.

Extra Classroom Activity Funds

*The extraclassroom activities funds are the depository of student money. The New York State Education Department publishes a pamphlet, titled *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 current year audit, we selected and tested a sample of cash receipts and disbursements transactions from extraclassroom activities of the High School and 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.

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

District Response:

Subsequent to the audit, the few examples that were noted in the audit as well as all the documents in which the signature is required were reviewed with the Middle School Treasurer. In addition, we have also put in place reviews and check points to ensure the necessary backup is provided for each clubs transactions.